

Nation's Business

USEFUL LOOK AHEAD

FEBRUARY 1964

COLLECTOR TELLS WHAT NEW TAX LAW WILL MEAN

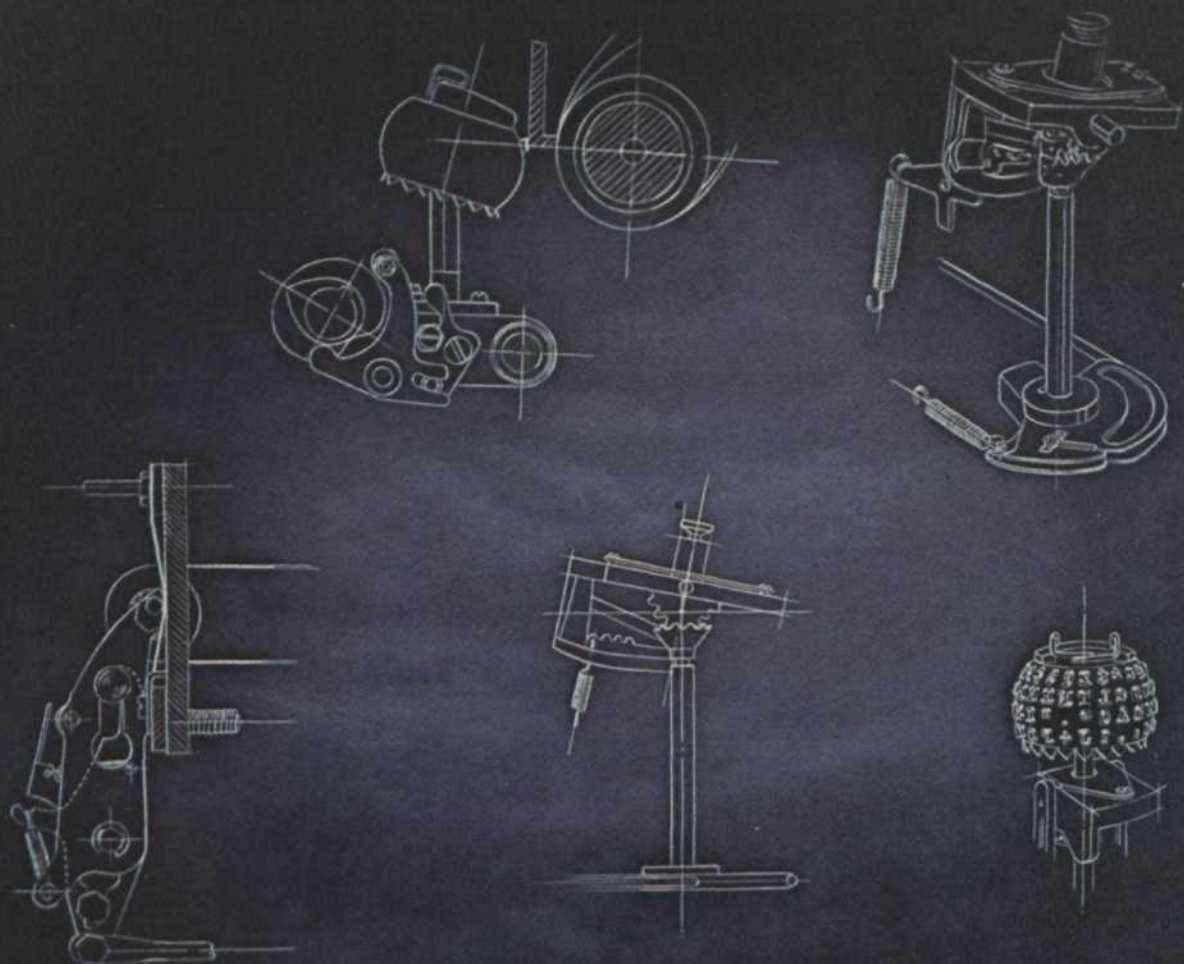
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How to spot false budget cuts **PAGE 42**

Business plans new sales surge **PAGE 33**

Crisis forces farm subsidy showdown **PAGE 56**

Make yourself a better manager **PAGE 80**



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Why are so many promising men "failures" at thirty?

men who think that success is only a matter of "a few years" are failures . . . whatever their age!



1. "The most dangerous enemy of personal progress in business is indecision. . . ."



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3. "We believe we've learned, over the years, the secret of succeeding while you're still young. . . ."



4. "And we're always happy to pass along our suggestions to anybody who is genuinely ambitious."

An interview with James M. Jenks, President, Alexander Hamilton Institute

MOST BUSINESS LEADERS agree that the years from thirty to forty are the decisive ones for young men who hope to become major executives.

Often their twenties are spent orienting themselves to the commercial world—experimenting, searching, changing from one kind of business to another, or from department to department.

But when a man reaches thirty, he should surely know where he plans to go. And he should begin to take definite steps in that direction. Otherwise, he risks the danger of moving about aimlessly for the rest of his working days.

Why do so many promising men fail to solve this elementary question of direction? Why do they waste so much precious time switching jobs and objectives until all hope of success has passed them by? The answer, quite simply, lies in their refusal to face a question which is fundamental to the progress of every businessman:

"How important are the rewards success will bring to me and my family? Am I willing to sacrifice a great deal of time, to devote myself wholeheartedly to my job and to work hard in order to make—not just a living—but a substantial success?"

We try never to influence a man's thinking on this question. The answer must come from within himself.

It would, of course, be unrealistic not to recognize that success in business demands its price. Top management men are required to shoulder burdensome responsibilities—to work abnormally long hours—to spend less time with their families than they would like.

Further, not everybody has the native

ability, the vision and the "drive" to be a leader.

Thus each man should take a hard, objective look at himself—and come to an honest conclusion as to what his goal in business should be.

If you are ambitious, have at least average ability and intelligence, and look upon business as an exciting challenge rather than as drudgery . . . the Alexander Hamilton Institute can provide you with expert guidance and counsel.

The Institute, while functioning in much the same way as the home study Extension Divisions of our great universities, is geared precisely and practically to the needs of management-minded men.

Each day, as a subscriber, you come a little closer to your chosen goal. You grasp a clearer understanding of the principles which underlie all major departments of business. In a matter of months, you learn business practices which would, ordinarily, take years to master.

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Many years ago, the Institute published an unusual little book on the subject of personal advancement titled "Forging Ahead in Business." It was offered, without cost, to ambitious businessmen, and the response was overwhelming.

Each year since then, we have made whatever changes were necessary to keep "Forging Ahead in Business" up to date and as refreshingly candid as the first edition.

The latest edition is now off the press, and is again being offered, with our compliments, to anybody who is genuinely interested in improving his position and his income.

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thousands of businesses and businessmen fail every year . . . in time of prosperity as well as depression. It tells what a man must know . . . what he must do . . . to make upwards of \$15,000 a year. It lists the eleven essentials of business, and shows how they relate to each other.

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Nation's Business

February 1964 Vol. 52 No. 2

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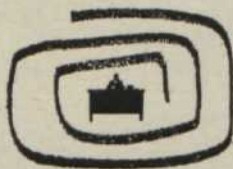
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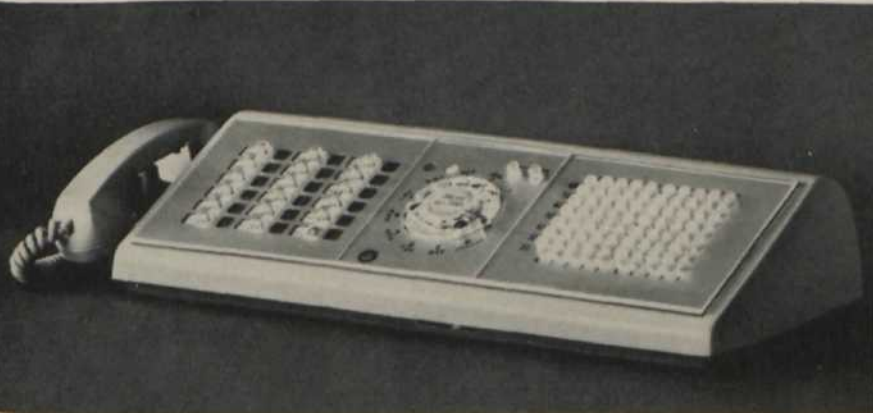
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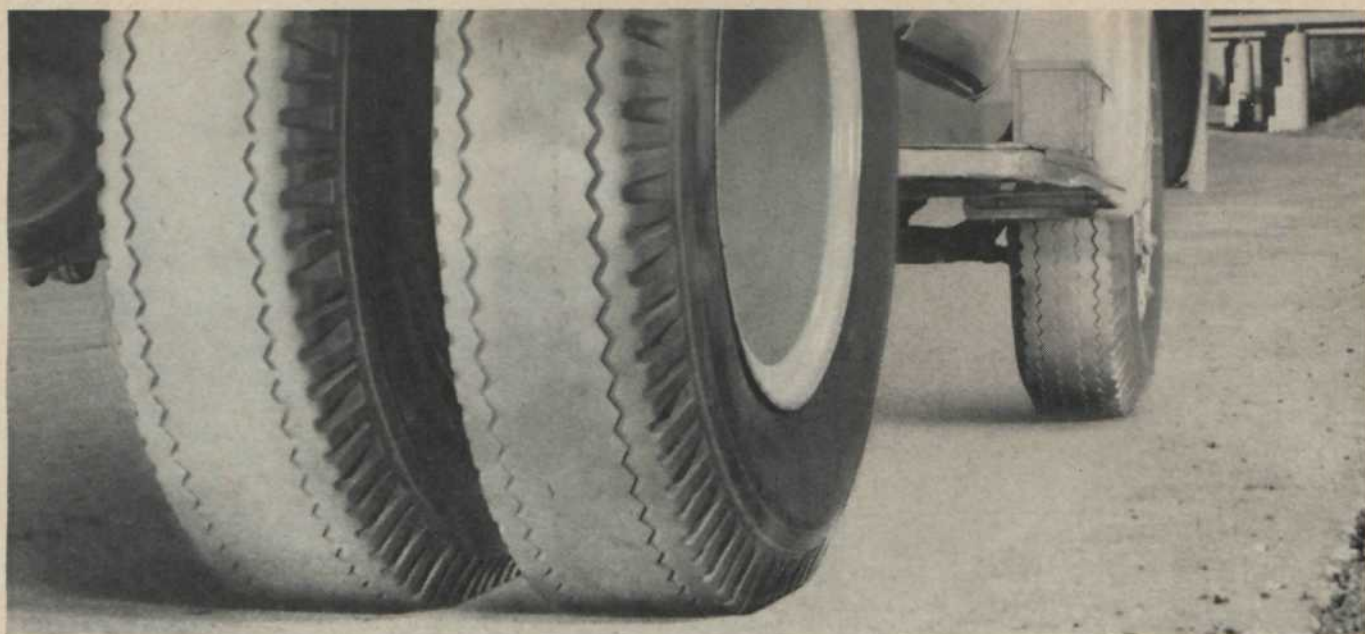


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WASHINGTON BUSINESS OUTLOOK

Consumer demand underwrites prosperity for months ahead.

Measured any way you like, demand for goods and services was never higher.

And it'll keep going higher, forecasters believe, for at least a year and a half.

Basic strength shines through maze of government statistics on business activity pouring out of Washington.

Best indicators of the future show:

There is very good chance that markets will grow at average rate of one per cent every 60 days.

This means total output of goods and services will be clipping along at annual rate of \$630 billion at election time next fall.

Beyond that it will add another \$30 billion to gross national product by summer '65.

This will bring total to \$660 billion, up from \$600 billion annual rate now.

To average businessman—whatever line you are in—this means U. S. economic pie will be growing in the year and a half ahead.

Earnings will rise—for most companies and most employees.

Wages and salaries, never higher, are expected to go up at least four per cent this year.

Business earnings continue to improve.

Profits after taxes averaged 2.6 per cent of corporate sales in past year.

Probably will run about 2.8 per cent this year—still far below profitability of many past years.

Tax cut will mean bigger sales for non-durable goods.

This comes first, say Washington economists analyzing what's ahead.

People will begin buying more food, clothing, gasoline, books, magazines.

Next will come expansion of durable goods

buying. This means furniture, household appliances, autos, lawn mowers in the spring, air conditioners, and so on.

For services industries economists anticipate small change in long-term upward trend.

Production spurt is clearly probable.

Index of industrial output lagged a bit during past year, failing to show clear-cut favorable trend, appearing at times to be stuck on dead center.

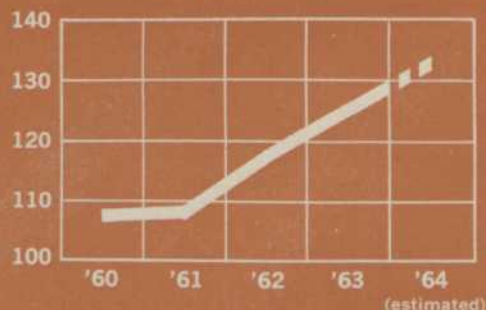
Upward trend now is under way.

Question is:

How high will it go?

Balanced view is that index will continue steady climb indicated on chart, setting new records month after month.

Big year ahead in output of goods



1957-59=100 on industrial production index.

Investment boosts take shape.

Economists analyzing plans for new plant and equipment see bigger expenditures than surveys show.

New picture unfolding is this:

Most plans were made three months ago when trends of '64 and beyond were clouded by such uncertainties as outcome of tax-cut proposals, how long economic expansion might go on. Now clouds are clearing. Many uncer-

tainties give way to new confidence. Scope of opportunities ahead brings plans off shelf that were being held for future.

Businessmen are expected to invest about \$21 billion between now and summer. Larger amount will be programed for rest of year.

Much spending will go for cost-reduction equipment. New trend indicates larger sums will also go into plant enlargement.

Higher borrowing charges are coming. This will be especially true for short-term funds you'll need in months ahead.

Long-term borrowing will cost you about the same or slightly more in some areas, say specialists.

Whatever business you're in you may want to talk with your banker now about your future needs. Conditions aren't the same everywhere and planning ahead pays off.

Major national trends shape up like this:

Continuation of good business is a factor influencing interest rates.

Amount of funds available from internal business sources is another.

These will tend to offset one another.

But interest charges also will continue to reflect government concern about the loss of gold to other countries.

This means government will follow policies aimed at raising short-term rates.

Robert P. Mayo, vice president of Continental Illinois National Bank and Trust Co. of Chicago, looks for "moderate upward movement" of rates.

He assumes continuation of strong business activity.

The tax bill, Mr. Mayo believes, will help to keep business moving up.

Unemployment will drop. Prediction stems from changing view in Washington that investment by businessmen and bigger sales

volume will provide enough work to reduce jobless number.

Economic rise formerly was thought large enough only to take care of new people joining work force.

Unemployment for several years has been stuck between 5½ and six per cent.

Some manpower specialists look for decline to five per cent range by next fall.

Sudden worsening of foreign payments problem is unlikely.

Washington thinks recent improvement will continue.

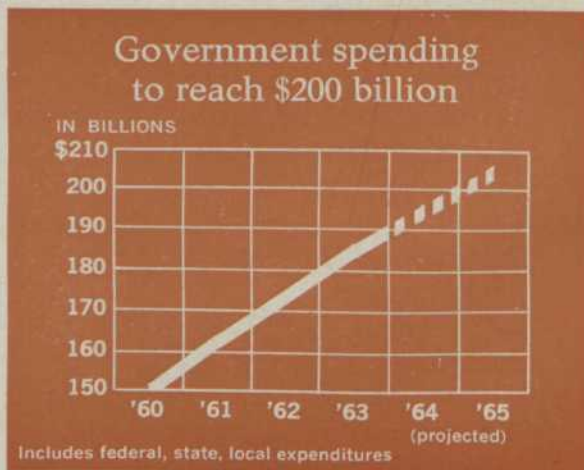
U. S. has been spending and giving away more abroad since '60 than we've received from other nations. Gold drain from U. S. supply is traced to this deficit.

What's ahead: Foreign aid payments, military spending abroad are being curtailed. Exports are rising. Interest rates attract funds that might otherwise go overseas.

These developments foreshadow more improvement—slow but sure.

A \$200 billion tax take is coming soon.

Whatever you pay to government in U.S.A.—to state, federal, local collectors—your pay-



WASHINGTON BUSINESS OUTLOOK

ments are part of a total that's trending toward this level.

All government collections—including personal income and corporation taxes, customs, sales and property taxes, excises, social security taxes, other sources of government revenue—often fluctuate sharply because of varying business conditions and other factors.

Example: The increase was \$2.5 billion in '59, up \$20 billion in year that followed. It'll go up an estimated \$10 billion this year.

Projection indicates probability that total revenues of all governments in U. S. will reach \$200 billion in about three years.

Tax increases in many states and cities may offset federal reductions.

Same's true of spending. Rising state-local budgets will boost total government outlays despite President's moves to hold federal budget at \$97.9 billion next year.

Spending boosts are built into many government operations.

Many kinds of projects keep costing more because Congress can't—or won't—cut.

Subsidies are example.

And therein lies one key controversy that will occupy much congressional cloakroom time this session as ways are sought to curtail spending proposals.

Outcome—whatever it is—will help shape taxes for years to come.

Background:

States, cities, counties, special units of local government will get an estimated \$10.4 billion from Uncle Sam this year to pay for many kinds of local facilities and services.

Projects include use of federal tax funds for urban planning, slum clearance, low-rent government housing, waste treatment facilities, many kinds of welfare programs.

These uses of taxpayer funds amount to eight per cent of federal budget.

It was four per cent as recently as 1955.

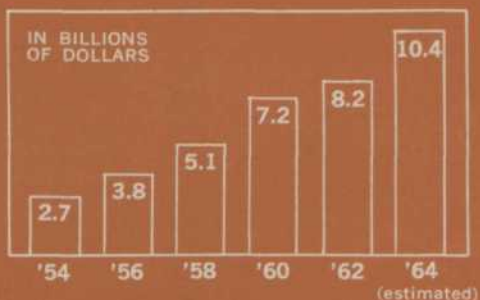
Look at the future:

If unchecked, these expenditures will soar as much during the next six to seven years as during the past 65.

There's growing concern as well about the impact of these financial strings which Washington holds on state and local government.

So you can expect a vigorous drive to cut these outlays for 1965. Committee already has surveyed views of state and local officials.

Sharp rise continues for federal subsidies



Federal tax refunds—some already on way to taxpayers—will put \$6 billion back in consumer hands. Stems from overpayment on '63 income.

Exact amount won't be known for months.

But it's expected to be the largest federal refund yet.

Unfile clerk—term you may find applies in your office.

In some government agencies this is unofficial description of employee capable of finding something in files, not to be trusted to put it back in proper place.

So they're not permitted to file. They just unfile.

YOUR EMPLOYEES ARE IMPORTANT TO YOUR COMPANY'S PROFITS

—why not tell them so?

You know your employees are important—but when was the last time you told them so? And how did you do it?

Why not consider using a brand-new motion picture to get across this message? It's called "The Marvelous Mousetrap" and stars Wally Cox. It has color, drama, and an absorbing story with plenty of humor. But it makes its point!

The message? Why the company trusts each employee to do his job the best way he knows how... and how every employee contributes to his company's continuity.

Mr. Arch N. Booth, Executive Vice-President, U.S. Chamber of Commerce has said: "The Marvelous Mousetrap does an excellent job of explaining the American Free Competitive Enterprise System in an effective and entertaining way."

BNA also has a new film for stimulating creativity and overcoming resistance to change. Entitled "The Real Security," it features the dynamic management consultant, Joe Powell, in an illustrated filmed lecture.

Each of these films runs about 25 minutes, is in full color and can be shown on any 16-mm sound projector. You may purchase prints for your permanent film library, or rent prints for any period of time. You may preview the films in your own conference room for a nominal charge of \$15.00 per film (which can be applied to the later purchase or rental price of the film). Why not send for both films and preview them at the same time?

Business opinion:

Experience reveals flaws in spending proposals

"EX-CABINET MEMBER Opposes Health Care Plan" [December] is an article which makes very much sense. It is quite obvious the reason former Postmaster General J. Edward Day is so interested, and so thorough in the explanation of the pitfalls of such a plan, is that he is much experienced in the insurance field and, in fact, is considered an expert in this field.

It has always been a wonder to me how congressmen can vote and push through plans about which they have no experienced background; particularly those which affect the welfare of the people and the tax burden which they bear.

I have always felt if there were more businessmen in Congress and fewer politicians the spending programs would be controlled with a great deal more care. This is indicated very forcefully by Mr. Day's article opposing the health care plan. He is an expert in the insurance field, and the opinion of experts should be considered before thinking further on the plan which the Administration presents.

ROBERT E. AYRE
Louisville, Ky.

Mr. Day is quoted as saying, "The reason I am a dedicated Democrat is because I think that the federal government should use its resources and its powers to promote the greatest good for the greatest number—but only to the extent it can afford it."

The article was excellent and I enjoyed reading Mr. Day's comments. But if he had substituted the word "Republican" for the other party in the above quotation, he would have expressed the reason why I, too, feel dedicated and currently vote as I do.

J. E. JOHNSON
Berwyn, Pa.

System blocks trade

Washington Business Outlook [December] mentions that a new interest is being shown in foreign

business and that many United States companies have men looking in Europe, Central America and Japan to find ways to boost U. S. sales abroad.

Our "Focus on '64" should well be on one of the severest barriers to our foreign trade—our inability to communicate readily in terms foreign buyers can understand. These barriers to U. S. business are not only our national unfamiliarity with foreign languages, but especially our use of the English system of measurement which is now standard only in the U. S. and British countries. All the rest of the world uses the metric system of measurement.

It has been said that the difficulty of understanding our system has kept European products out of the U. S. The reverse is true to an even greater extent. U. S. government and business should unite now to lay plans to adopt the metric system here as soon as possible.

E. E. STAPLES
President
Hevi-Duty Heating Equipment Co.
Watertown, Wis.

Right man—wrong century

"What It Takes to Take Charge" [December] refers to Michael Faraday as "the Seventeenth Century scientific pioneer."

Faraday's life was from 1791 to 1867—not the Seventeenth Century.

DONALD A. SMITH
Fred'k H. Levey Co., Inc.
Brooklyn, N. Y.

What to cut

I read with interest your businessmen's comments and predictions on the future of business [December].

I can merely comment that about nine out of 10 of them enthusiastically favor the tax cut and none of them recommended a cut in governmental expenditure. If that is to be the future attitude of business in this country, God help us.

H. A. THOMSON
Pennsylvania National Insurance Group
Paoli, Pa.



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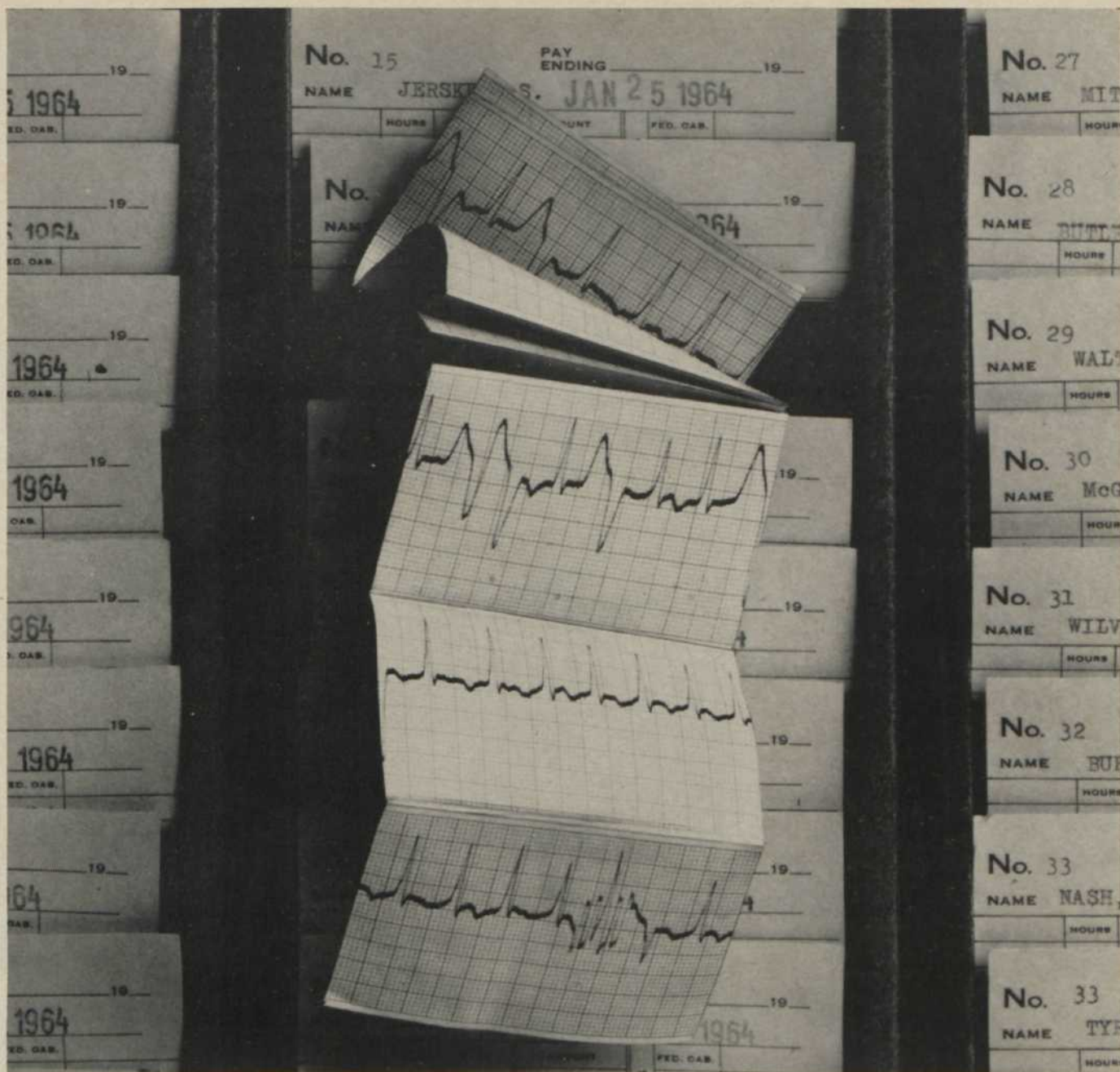
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The use of diesel power in heavy-tonnage trucks has soared more than 400% in less than ten years. Reason: cost-conscious operators proved conclusively that diesel power drastically slashed their operating costs. As more and more heavy-tonnage truckers switched to diesel, a growing number of medium-tonnage truck operators asked the question, "Why not diesel savings in the medium-tonnage range?"

The TORO-FLOW diesel was developed and built by GMC Truck to give the performance, economy and durability needed to haul medium-tonnage loads at the lowest possible cost.

Here are a few of the engineering breakthroughs that are responsible for the V-6 TORO-FLOW's unsurpassed efficiency.

Lowest Fuel Consumption! At high speeds, or at engine idle, TORO-FLOW is the all-time fuel-saving champ. It has the lowest brake specific fuel consumption of any diesel engine in the medium-tonnage range. A unique toroidal air-flow in the combustion chamber is responsible for the engine's outstanding fuel economy and for the TORO-FLOW name.

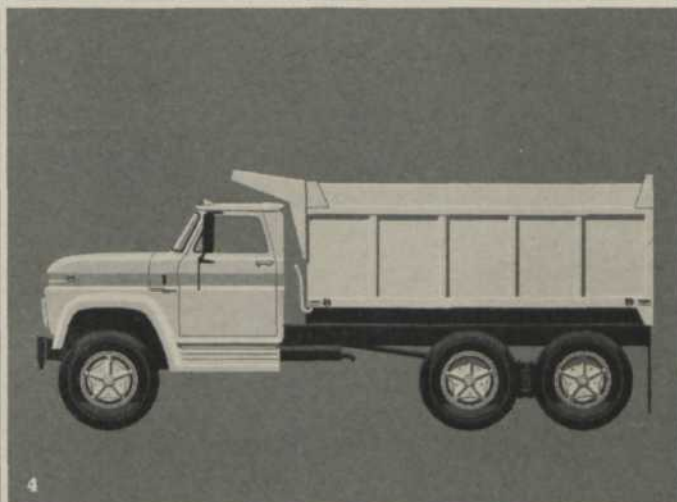
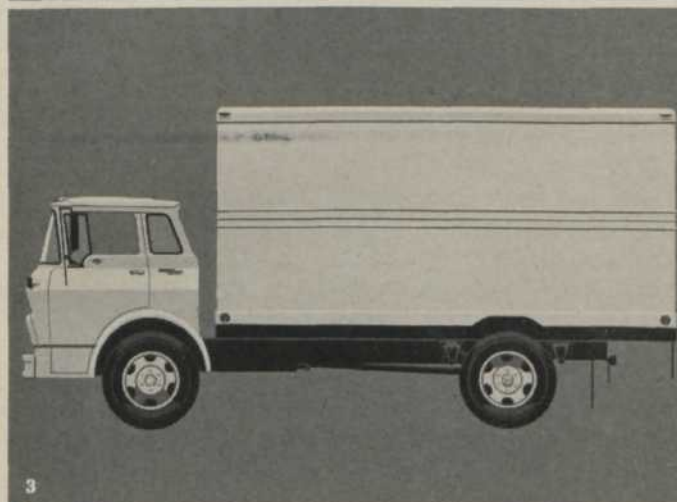
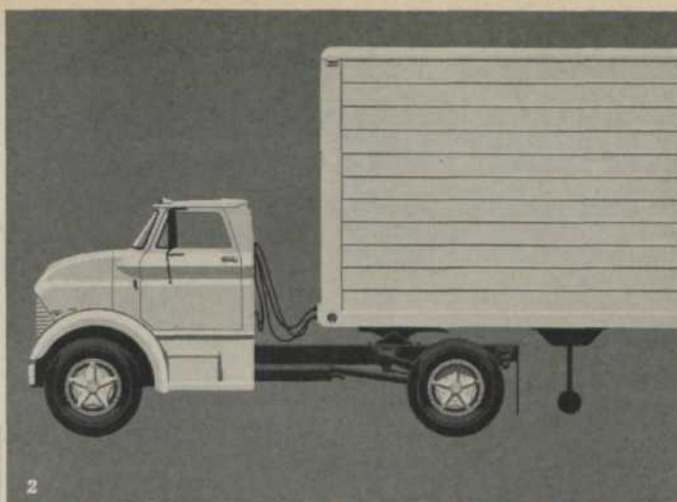
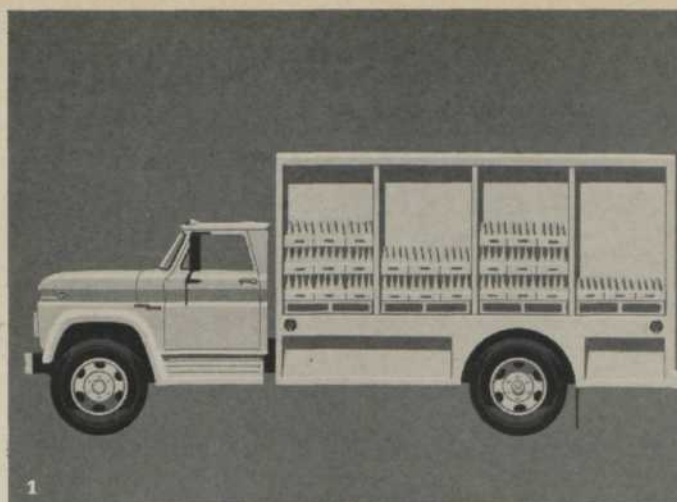
The Power You Need For The Loads You Carry! Two ratings are available—150 and 170 h.p. The 150 h.p. engine is standard in GMC models with up to 24,000 lbs. GVW; 42,000 lbs. GCW. The 170 h.p. version is optional at extra cost in these models, and standard in models rated up to 39,000 lbs. GVW; 45,000 lbs. GCW.

Maximum Durability! TORO-FLOW is built to save you money for a

long, long time. It features a simplified fuel system, positive rotation of both intake and exhaust valves, up to twice the cooling capacity, and up to 20% greater oil flow than any other diesel engines in the medium-tonnage range. These are just a few examples of the durability GMC Truck builds into this engine so you can get more out of it!

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Pick the TORO-FLOW model that meets your exact needs and you'll find that it handles and operates virtually the same as its gas-powered counterpart. It starts, it steers and it shifts with the ease that has become traditional with every GMC Truck—gas or diesel. A short demonstration drive proves it! Which TORO-FLOW model can your GMC Dealer discuss with you?

1. Full Conventionals—TORO-FLOW powered conventionals bring new economy to a wide variety of truck applications in the 15,000-27,000-lb. GVW and 35,000-45,000-lb. GCW range. City pickup and delivery, bottlers, furniture movers and meat packers are typical examples.

2. Short Conventionals—GMC short conventional models are really profit boosters as trucks or tractors in beverage,

age, utility, farm and numerous other vocations requiring trucks in the 15,000-27,000-lb. GVW and 35,000-45,000-lb. GCW range.

3. Steel Tilts—GMC steel tilts with exclusive TORO-FLOW power offer such outstanding advantages as maximum front axle loading, ideal weight distribution and unsurpassed maneuverability. They set the pace for savings in petroleum, lumber and other applications requiring trucks in the 15,000-27,000-lb. GVW and 35,000-45,000-lb. GCW class.

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Keith S. McHugh

Keith S. McHugh, Commissioner
New York State Department of Commerce

Executive Trends

- Coming: new pressure on training
- How age affects learning skill
- Could you find another job?

Your company will feel increasing pressure on its training efforts in the years just ahead if it is to produce the manpower it will need.

"In our contact with companies across the country," says a spokesman for one training institute, "we find that already presidents consider the development of their younger men to be, if not their number one problem, then certainly a problem of top importance."

As the tempo of change accelerates, companies will have to update their training and development programs continually to stay in the race.

A corporate director of education characterizes the challenge as one involving not only the problem of training itself but of finding people who are trainable. He has in mind the evident need for men and women with an increasingly high capacity to absorb the know-how required to perform effectively in more complex and technical companies.

The problem—in its executive aspects—deeply concerns some observers. One, E. Everett Smith, director of McKinsey & Company, Inc., international management consultants, holds that very few companies today have the young trainees and the middle-management talent they require to provide an orderly succession in each critical job in the company.

Mr. Smith feels that many development programs initiated since World War II have fallen short of turning out talent in sufficient number to man the nation's growing enterprises.

"What makes me so certain that

this problem will be critical in the future," he continues, "is the obvious fact that our big corporations are becoming increasingly complex. Size alone makes for complexity and so does the pace of increasing technological change. Just the impact this has on the life cycle of products is enough to indicate the importance of surrounding the chief executive with people who can make decisions."

One consultant predicts future managers will have to possess more skill in face-to-face interviewing to make a better evaluation of a man's capabilities for training or promotion.

• • •

You may be hearing soon about two new reports of wide-reaching importance to business.

One concerns human motivation in management, the other the question of how executives are being most effectively trained now and how they might be more effectively trained in the future.

The reports are being prepared by university researchers for an affiliate of a major management organization. The first report will be completed this month, the second in March.

While full details of the reports cannot yet be divulged, this much information about them has been disclosed to NATION'S BUSINESS:

The first will examine how the motives of executives vary from company to company and from job to job; the conditions which make for the most successful motivation of employees and the types of satisfactions which people at dif-

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EXECUTIVE TRENDS

continued

ferent levels in an organization derive from their work.

The report on manager education, like that on motivation, is being put together with a view toward providing guidelines for further research.

• • •

Don't worry that age may be draining away your capacity to learn.

A University of Pittsburgh psychologist, Prof. Bernard Bass, says evidence he's accumulated shows that a manager retains his ability to learn and to solve problems as long as he continues to do both actively on his job and away from it.

"Some older people lose their capacity to learn new things quickly, but the older man can often substitute another talent to make up for his loss of speed," Professor Bass explains.

He says the man who keeps his mind active, even though he is middle-aged, can make just as good a student as a much younger person. Research into the executive's capacity to learn indicates that superiors often learn as much, if not more, from their subordinates as is true in the reverse, Professor Bass adds.

• • •

Do you have a plan of action to put into effect in the event you should lose your job?

If you don't, it's a good idea to start working on one, unpleasant as the subject might seem.

Here's why: By some estimates as many as 200,000 managerial positions will be terminated in 1964—the result of reorganizations, mergers, automation and other causes. For men who are unprepared, loss of employment can be a devastating experience. If it's not sensibly handled it can cripple a man's future employment possibilities.

Job counselors say the first thing to do if a dismissal notice arrives is avoid panic. Men who have been associated with companies for a long period of time are prone to the panic response, the counselors explain, because they feel they've forgotten how to go about getting a job.

"Make an immediate list of your assets," advises Bernard Haldane, a veteran counselor. "Work out a four or five month budget designed to minimize use of your savings

(Continued on page 22)



Gulf Bottlers, Inc., New Orleans, Louisiana / Butler Builder: Carl E. Woodward, Inc., New Orleans

Why gamble the next 10 to 30 years on construction that's obsolete now!

Things are happening with the Butler System of pre-engineered construction that you ought to check out before you build even a tool shed! Real building efficiency—or real annual cost of occupancy—or even real permanent protection—are usually discovered long after it's too late for recourse. Find out what's really new in modern construction before you invest in yesterday's materials and methods.

For example, did you know that Butler offers a most economical utility structure that goes up by the clock? The cover panel *is* the building! Did you know that Butler offers a complete, factory-insulated wall system called Monopanel® that comes pre-assembled for fast erection... a wall system so fine it is being specified on first-class traditional construction... even high rise! This Monopanel Wall System is available covered with Du Pont Tedlar® PVF, a new colored miracle film laminate that's so durable, Butler will, as a limited introductory offer, guarantee the film laminate for 15 years.

Heard about Butler's sensational new F-103 insulated cover panel? It's only an inch thick, but independent tests proved it the most efficient curtain wall panel of its kind available today—much superior to best masonry construction, yet priced with "economy" construction. Or have you heard about Butler Modular Wall—a smart, contemporary wall of finest



Knox County Chapter, American Red Cross, Galesburg, Illinois
Butler Builder: Burch-Phalen Company, Galesburg

quality—so maintenance-free, your first cost is virtually your last? With unmatched features, it prices below all comparable wall systems. And did you know that Butler is the only metal building manufacturer able to offer (at small price premium) an aluminum roof with a 20-year guarantee?

Like to take the guesswork out of construction? Then find out what's *really* new and efficient! Call your Butler Builder, and ask him about the many advantages of the Butler Building System. He's in the Yellow Pages under "Buildings," or "Buildings, Metal." And when you call, ask about Butler's finance formula for progress, terms up to 10 years. Or write.

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quality single copy or crisp, legible, low-cost quantity copies—at least seven from one 10¢ sheet of matrix—an exclusive Verifax copying feature.

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CORVAN—has air-cooled engine in rear, 6 doors, coil springs all around.



PANELS—good-looking, comfortable conventional delivery trucks. Half- and one-ton sizes.

CARRYALL—fine multi-purpose vehicle. Seats removable for hauling.



STEP-VANS—best for multi-stop type operation. Sliding front doors. Full-height door openings. Excellent visibility. Drivers love 'em. 38 sizes and types.

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Addition of new low-cost front engine van now lets us offer you the widest selection of covered delivery trucks in the business . . . plus a lot more value than your money bought the last time.



THE NEW CHEVY-VAN

This is a brand-new low-priced economy-type delivery truck. We believe it is the best value in its field because of its quality construction.

The body and frame-floor assemblies are welded together. The truck is strong, rigid, stable.

All the doors are double-wall construction.

The big 90-hp 4-cylinder standard engine, which is up front, is more powerful than some sixes, yet remarkably economical. If you need more power, Chevy-Van offers a 120-hp six at extra cost.

The windshield is a big flat practical one-piece unit.

Chevy-Van has unusual resistance to rust. Critical areas such as front stepwells are galvanized. Sealers, primers and sprays are used on joints and underbody.

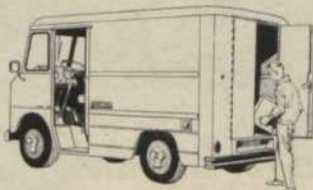
You have over 40 sq. ft. of completely usable flat floor back of the driver's seat—7½ ft. in length.

Rear doors are standard. Side doors are an extra-cost option.

WALK-IN VANS

Chevrolet ready-made Step-Vans are ideal for the deliveryman with hundreds of stops per day.

No truck on the market is better designed to make it easy for the



man who has to drive it.

You walk right into it, and walk right out of it—no stooping.

The seat is nice and high, and the windshield's as big as a bay window; you view the road as if you were driving a lighthouse.

The side doors *slide* open and shut on smooth nylon bushings.

With a Step-Van, you may be tired at the end of a day, but it isn't from driving the truck.

There are 38 sizes and types. Body lengths range from 7 feet to 12½ feet, and cubic-foot capacities from 211 to 450.



CORVANS

The man who buys Corvan has needs beyond simply delivering something from here to there.

He wants a good-looking van and Corvan is certainly that!

He wants comfort and no truck we know of can outstride Corvan!

He wants peace of mind in winter and Corvan rewards him twice: its air-cooled engine never needs antifreeze, and its location

over the rear wheels gives the truck outstanding traction.

Every Corvan has six doors. You can buy two more on the left side at slight extra cost.

If you are looking for an extraordinary van built to extraordinary standards, Chevrolet Corvan is it!



PANELS AND CARRYALLS

If you prefer conventional styling, good ride and quiet operation, try a regular Chevrolet panel delivery.

The half-ton has 7½ feet of load space behind the driver and can carry up to 1,300 lbs. of payload.

The one-ton gives you 10 feet of load length and up to 3,300 lbs. payload capacity.

Chevrolet Carryalls are tough multi-purpose vehicles. Standard model seats 6. Seating for 8 is optional at extra cost.

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But then, you probably know the many relaxations that make this resort area famous. How about industry and business?

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leadership is a by-product of plant location in West Palm Beach.

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EXECUTIVE TRENDS

continued

and capital resources. Then list all the people you know who might be able to help you relocate. Put down friends and business acquaintances. Search your memory.

"Finally, make an inventory of the successful achievements of your past. They will help to regenerate your self-confidence—which may be badly shaken by the experience of being fired—and will give you some momentum as you start looking for a new job."

• • •

What's that special something it takes to start a new business and keep it going when the odds seem insuperable?

A man who launched a firm and then had to wait seven years before it made its first sale may have the answer.

He's Samuel H. Levinson, president of International Railroads' Weighing Corporation, a firm which recently introduced an electronic system for weighing railroad cars while they are in motion.

Mr. Levinson and his associates nurtured their product through more than six years of research and development, patient testing, and nerve-straining efforts to raise capital. Once, they recall, the group came within two months of calling it quits. In the end, refusing to quit paid off for now the orders are coming in.

NATION'S BUSINESS asked Mr. Levinson how he would define the qualities of the successful entrepreneur, and what he would tell businessmen who are thinking of starting a new enterprise. His comments:

"Any manager interested in a new venture or a new product must exert extra personal force in making the new and the untried palatable to those who would, from habit, fear, and normal lethargy, refrain from experimentation.

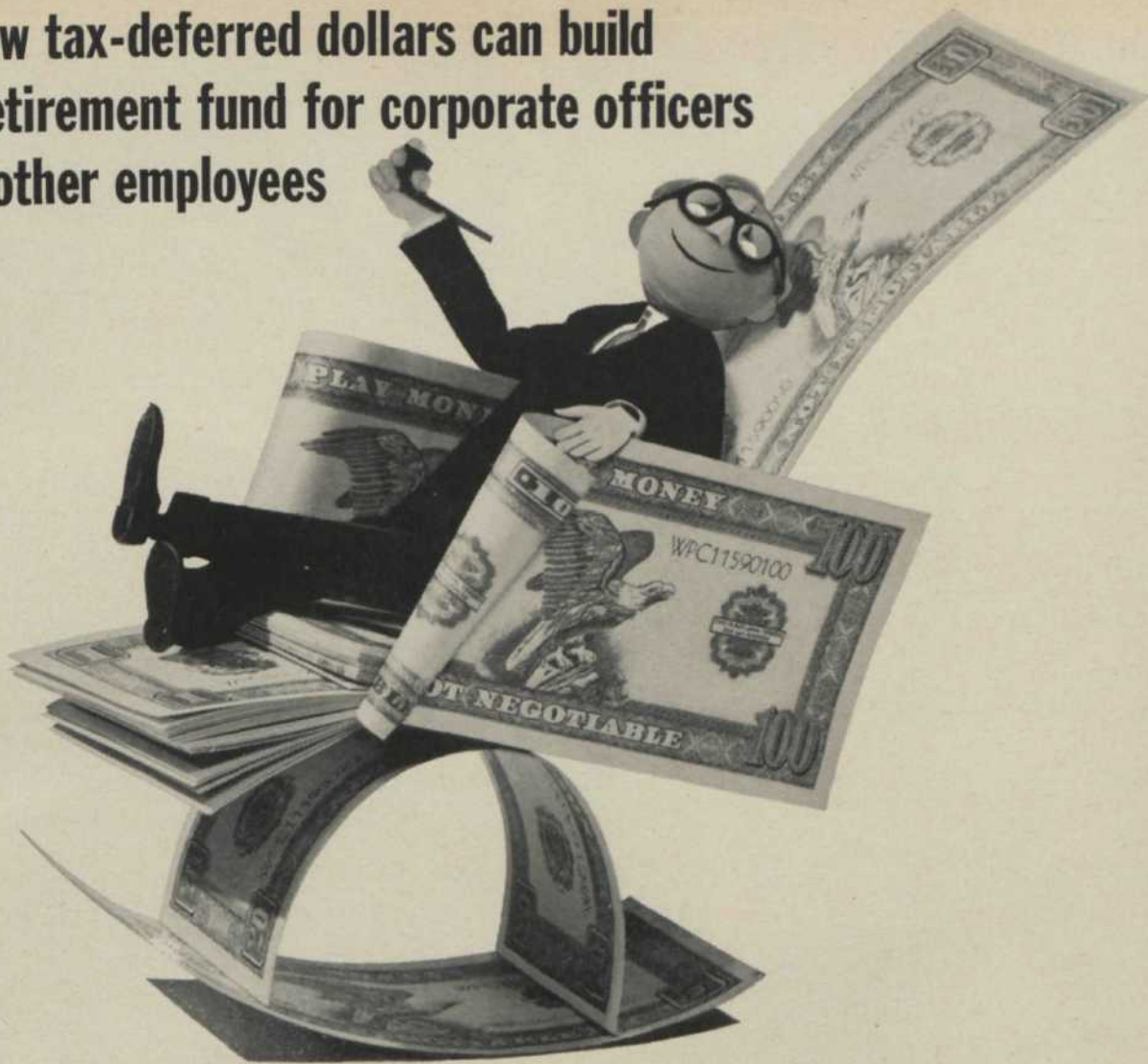
"Those who start a new business should begin with two basic tenets in mind.

"First, it will cost more than can be anticipated.

"Second, it will take longer than can be anticipated to accomplish the goals.

"One must approach a new enterprise with these factors in mind, and must be prepared to fight them. A man with a good product and confidence and the integrity which is fundamental to any enterprise will succeed."

How tax-deferred dollars can build a big retirement fund for corporate officers and other employees



A corporation may make a lot of money. Its officers and key employees, too. But how much can they keep after taxes? How much can they save for the future?

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younger employees a chance to move up—increasing production, improving morale, reducing turnover. And it lets the corporation attract the top personnel available.

Even if a corporation has only a few employees, a Pension Trust Plan can fit such a special situation or need. For complete details, mail the coupon below. Better yet, call The Man from Equitable. He's been helping corporations of every size and description provide Pension Trust Plans for over 30 years.



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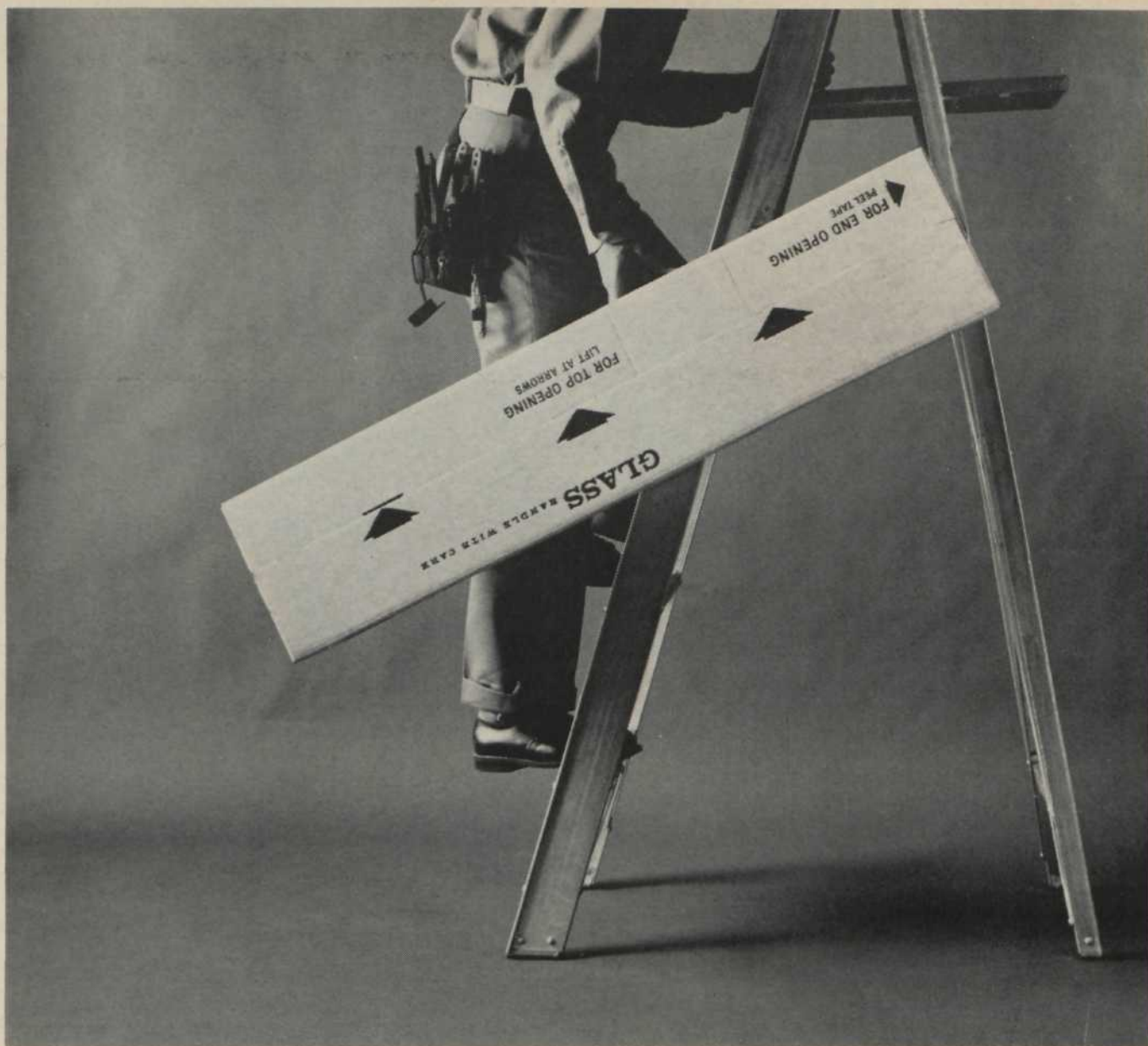
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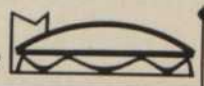
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Refusal to act is often in public interest

BY JAMES CRAFT

LYNDON B. JOHNSON'S reputation for winning his way with Congress—a reputation established as Senate majority leader and strengthened during his first weeks as President—may temporarily mute the strident chorus of demands for congressional reform.

The chorus is likely to be muted only momentarily, however. For what the advocates of reform really want is not a change in the way Congress is organized and operates but rather the enactment of a sweeping social legislative program. And all signs are that Congress, reformed or unreformed, is not about to enact any such program.

Certainly it is not just coincidence that the loudest criers of reform are also the extreme liberals, Democratic and Republican, who generally favor broad federal intervention in American economic and social affairs. It is almost exclusively the liberals who bemoan the seniority system of selecting committee chairmen, the senators' right to lengthy debate, the traffic control power of the House Rules Committee and other practices which they maintain thwart the will of the American people and endanger the entire democratic system.

To be sure, these practices do help prevent the enactment of many bills, delay the enactment of others, force changes in still others. Yet many caveats must be entered before one moves on to the conclusion that change is therefore imperative.

For one thing, congressional output isn't that puny; a wide spectrum of proposals, big and small, manages to be enacted into law each year. There are good and sound reasons why other bills should not be enacted, or should be delayed or changed; Administration sponsorship or liberal backing does not automatically make a bill desirable or right. There is comparatively little evidence to show the American people passionately desire many of the blocked bills; in fact, there is good reason to think the public ap-

proves of much of the lawmakers' veto activity. Consider the output of Congress. President Kennedy and his legislative lieutenants always cautioned reporters that congressional performance shouldn't be judged on the basis of one session's record any more than a football victory is awarded at half-time. Congress is set up to operate on a two-year schedule, with bills picking up in the second year exactly where they left off at the end of the first year. Many controversial and complicated measures, such as the pending civil rights and tax cut bills, almost inevitably require more than one year to go through time-



Friendly relations between President and congressional leaders will not guarantee approval of all his proposals

consuming but essential refining in Senate and House committee hearings, Senate and House committee voting, Senate and House floor voting, and the Senate-House conference work on a final compromise bill. The real gauge of performance clearly must be the full two year record of each Congress.

Equally absurd is the all-too-common practice of evaluating Congress on a strictly quantitative basis,

TRENDS: WASHINGTON MOOD

a percentage test as though a baseball batter or football passer were being ranked—number of hits out of total times at bat, percentage of completed passes, percentage of presidential requests enacted into law. Can a bill authorizing a dam in one state be counted as equal to a \$1.2 billion program of federal subsidies for colleges and universities, or a bill giving the President power to name the chairman of a regulatory commission as important as an \$11 billion tax cut?

When speed is required, Congress can move quickly. Witness the speed with which it ordered arbitration to avert the threatened rail strike last summer. Deliberation and caution, however, were built into the normal workings of the congressional system by the Founding Fathers. They are an essential element in the strength of democracy. As Senate Republican Leader Dirksen of Illinois recently put it, "Our government is much like an old scow. It does not move fast; it does not move very far at one time; but it does not sink."

The liberals are not, it should be noted, above using—when it suits their purpose—some of the devices they normally deplore. They filibuster against a communications satellite bill. The House Rules Committee is called on to bottle up a "fair trade" bill or veterans' pension bill opposed by the Administration.

Moreover, it is most dangerous to fall into the trap of the critics of Congress and accept their premise that inaction is necessarily bad. A refusal to act is in itself a type of action, frequently well considered and courageous. More and more in recent years the American government has operated on the approach that the President proposes and Congress disposes. But not everything the President proposes is essential, wise, perfect. Inevitably Congress is going to reject some proposals and modify others—and rightly so.

Frequently the appearance of congressional inaction is simply the result of the Administration's asking too much. Late in 1962 White House officials were conceding they'd sought too much from the 1961-62 Congress, and vowed not to make the same mistake in 1963. But sure enough, they opened the 1963 session with a long shopping list and then, as new problems developed at home and abroad, added still other items. Congress was again buried beneath a huge mass of legislation; small wonder that many Administration requests got lost in the shuffle.

The volume of Administration demands is just one reason why Congress balks at many requests, however. Usually senators and representatives either dislike the Administration's plans themselves or, failing to see any popular support for the plans, tend to take the safe course of keeping the status quo. Congress' long refusal to enact health care under social security was not pure contrariness or the result of

doctors' lobbying, but reflected the honest belief of many lawmakers that private insurance and private medicine could do the job more efficiently and cheaply. Similarly, the long refusal to vote federal subsidies to elementary schools was not mere blind obstructionism but a deep-held conviction that it was difficult to give tax funds to public schools without giving some to private schools, that there were grave constitutional problems involved in the private school question, that federal control was a real danger in the entire program, and that local governments were moving steadily to meet the worst needs.

All other objections to the reformers' complaints are almost insignificant, however, compared to one basic argument: The reformers have not and cannot prove their contention that the nation demands far more than Congress is giving, that antiquated machinery is keeping Congress from performing up to the nation's needs and desires.

Mr. Kennedy, perhaps better than anyone, knew he lacked any popular mandate for many of his legislative requests. He pushed for plans where a considerable consensus had gradually developed over the years or where business and other powerful groups could be mobilized to support him, such as in the battle for tax depreciation liberalization or tariff cuts.

But he refused to go to the people demanding support in more novel or controversial areas. He knew, as anyone who has traveled the country talking to its citizens knows, that the United States is not up in arms demanding broad new social schemes.

"If I were to tell you that the whole country is panting for everything we've asked for, from medical care to the wilderness bill, I'd be a colossal liar," one White House aide said back in the summer of 1963. The situation hasn't changed much today.

The Administration's bill to subsidize urban mass transit facilities remains bottled in the House Rules Committee not because of Chairman Howard Smith's recalcitrance but because House leaders lack the votes to pass the bill on the House floor and don't want it out of the Rules Committee. In all likelihood Rep. Otto Passman, arch foe of foreign aid, more nearly reflects national opinion than aid-backing President Johnson.

The nation's nonaroused state of mind has been demonstrated again and again in its voting. The same people who voted for Ike voted for such liberal legislators as Paul Douglas and Joe Clark and many of the people who voted the Kennedy-Johnson ticket in 1960 also voted for conservatives like Frank Lausche and Everett Dirksen. A convincing argument could be made that the nation likes an element of stalemate in its government, with the President pushing and shoving and the Congress digging in its heels. This sort of slow motion forward may be fast enough for a sizable majority of our citizens.

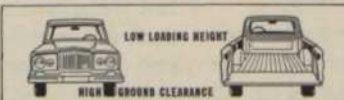
Certainly, until the reformers can prove the contrary, there is little reason to become unduly agitated over the need for congressional reform.

This pickup went to market...

This pickup had to stay home



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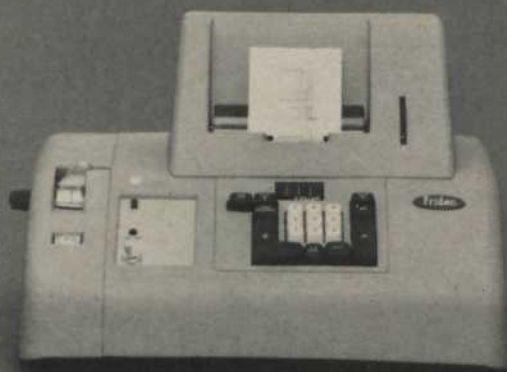
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1



2



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Mass education must face "the idiot response"

BY FELIX MORLEY

THE HOUSE majority leader has given somewhat extravagant praise to the sharply contested passage of three aid-to-education bills. Regarded as a unit, said Rep. Carl Albert (D., Okla.), these constitute "the greatest record in the field of education in the history of the country."

President Johnson, on signing this legislation into law, echoed the optimistic estimate of his lieutenant. Because of its extension of federal aid to schools and colleges, he predicted, the present Eighty-eighth Congress will be known in history as "the Education Congress."

There is no doubt that the new legislation has set a record so far as educational expenditure by the central government is concerned. Taken together the three laws commit the nation's taxpayers to obligations which may total over \$3 billion during the next few years. This is, of course, additional to the very considerable sums involved in earlier federal grants.

Such legislation goes far to explain why each new Congress finds it almost impossible to achieve economies. The new law for the extension of vocational training, for instance, starts modestly at \$60 million for the current fiscal year but then steps up annually to \$225 million for the year beginning July 1, 1966, and thereafter.

After the current year this is a matching proposition. States receiving these grants will have to put up as much as they receive from Washington. So it is theoretically possible for a State, having received an initial grant at no apparent cost, to refuse later to continue a program it has started. If it goes on with the undertaking, as most of course will, the Treasury is obligated to continue its matching grants.

This is certainly a violation of the spirit, if not the letter, of those sections of the Constitution which seek to prevent one Congress from binding its successors to financial commitments tending to make a balanced budget, in fact, unattainable.

Another aspect of the new legislation, however, is perhaps more disturbing than its constitutional questionability. After all, social security and most of our other welfare programs similarly bind every incoming Congress to continuing obligations which our Representatives, no matter how economy-minded, cannot in

decency repudiate. And with the disproportionate increase in the numbers of old people these commitments rise automatically each year, which is usually not the case in federal grants for educational purposes.

The most dubious factor in this latter category of legislation is found in the bland assumption of Congressman Albert: that bigger federal appropriations for education will necessarily improve its quality.

It can be said with reasonable certainty that more money for national defense will improve the striking power of the armed services. It can even be argued,



School vandalism demonstrates human characteristic of regarding as valueless that which costs us nothing

though with less assurance, that funds for new post offices will speed up delivery of the mails.

It cannot be maintained, however, that more sumptuous academic equipment, or a proliferation of sideline activities, will similarly improve the quality of education. Indeed, in this field the addition of non-essentials often seems to have an adverse effect. Many students are retarded, not helped, by the effort to make learning a completely painless undertaking.

Though it be as essential as the air we breathe, that which costs us nothing is habitually valued accordingly. Only that for which we make a substantial sacrifice, either in monetary or other forms, is really precious.

This characteristic of human nature would seem to be the underlying explanation of that malicious

TRENDS: STATE OF THE NATION

vandalism in city schools which has become a nationwide problem coincident with expensive improvement of physical facilities. A recent report of the Baltimore school board reveals that the mere replacement cost of wanton damage has been running at about one dollar per annum for every pupil enrolled.

The symptoms are far too ugly to be written off as a modern version of the initials that used to be cut in the backs of uncomfortable wooden benches.

As the trend is going it would no longer seem fantastic if federal funds were requested to compensate localities for this vandalism in the public schools. But it would be fantastic to suppose that such procedure would in any way solve the trouble.

With vandalism, as with more complicated school problems, solution demands a more general realization that education is necessarily a highly individualized and strongly competitive process. From its application a few will profit greatly while another small minority will acquire only resentment. The great majority will derive more or less benefit according to the influence of their homes, the nature of the curriculum and the quality of instruction. Poor teaching cannot greatly retard those who really want to learn. And the best instruction cannot do much for those who receive stimulus with what good teachers, when they let their hair down, call "the idiot response."

It is wholly natural that a democratic people should dislike the thought of these intellectual strata. And there is good evidence for maintaining that with equal opportunity the negro child from a city slum can climb the educational ladder as surely as any who was born to the purple. But it is one thing to point out that the natural divisions between brilliant, mediocre and backward should not be distorted by a prevalent social pattern. It is another and demonstrably fallacious approach to assume that these divisions do not exist.

Much emphasis is placed today on the assertion that "all men are created equal." But without denying its inspirational value we should remember how Thomas Jefferson, in practice, hedged this declaration. When he advocated free college education for exceptional students it was with the express provision that scholarship help should be limited to just one male graduate of each Virginia "grammar school" and this only after competitive demonstration "of the best learning and most hopeful genius and disposition."

No such restrictions are to be found in any of the dozen channels through which federal aid now flows to our schools and colleges. And the dubious belief that money alone will develop brains is not primarily due to the enormous increase and more equitable distribution of national wealth. More cogent is that unreasoned philosophy of education grandiloquently called "The New Culture." Its slogan is that "the school of tomorrow must accept in fact that general education in a democracy must be for the masses."

The aim seems less admirable when one recalls

that the appeal of communism is also always directed to "the masses"—the formless mob in which personality, ability, mentality and indeed every individual characteristic has been submerged to leave a clay which those in power may mold as they think best. Unfortunately there is inherent contradiction between education for the masses and for the individual. And, as President Pusey of Harvard reminded us recently, we must "face up to the fact that education is in the end something that takes place in individuals and is concerned with minds."



Education in the United States will cease to be individualized, and therefore will more accurately be called indoctrination, in just such degree as local controls give way to centralized direction. And it is noteworthy that every extension of federal aid is immediately paralleled by an attack on the traditional authority of the local school boards.

The National Education Association, which has for years lobbied for federal aid, is now increasingly open in demands for a more active share in the administration of the public schools. At its 1962 convention the N.E.A. resolved that: "Procedures should be established which provide an orderly method for professional education associations and boards of education to reach mutually satisfactory agreements." At the 1963 convention the word "should" in this passage was significantly changed to "must."

The N.E.A. drive for equality of control with local school boards would seem at present to be primarily concerned with salaries and other material matters. But simultaneously the federal Office of Education, largely staffed with N.E.A. veterans, has been warming up a drive for direction of school curricula. There is so much evidence to this effect that Representative Ashbrook (R., Ohio) has suggested a congressional investigation of O.E. In his words:

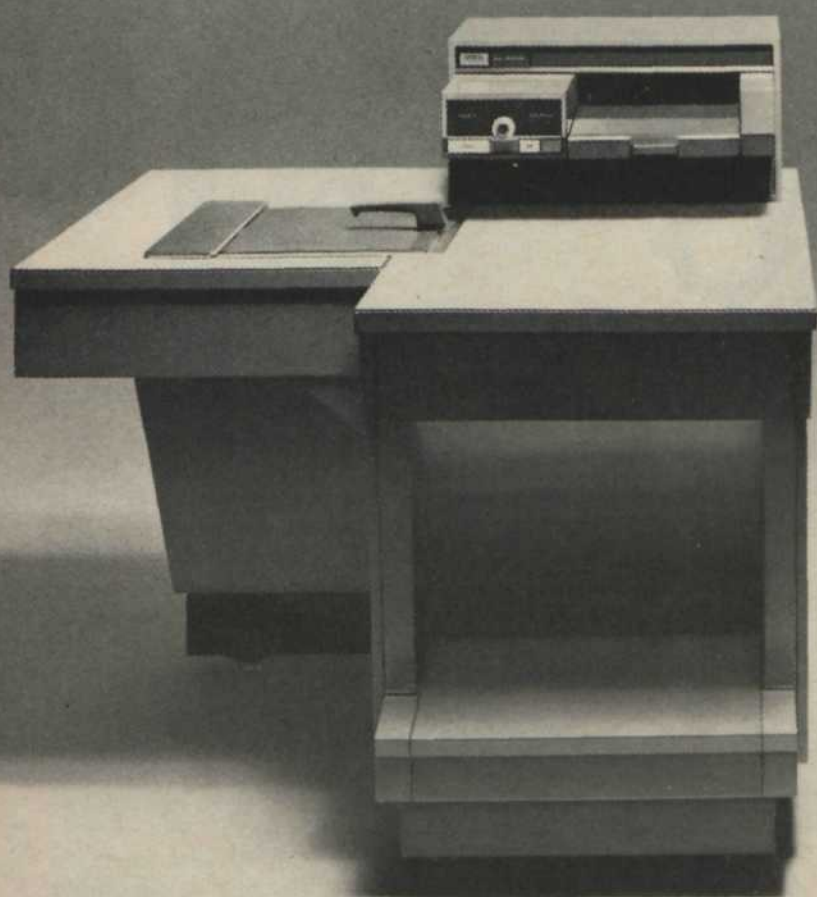
"The N.E.A. drive for sanctions and rights at the local level is already in full swing. To permit the other arm of the pincer, the O.E., to gain more control at this time would deal the local school boards a severe, if not fatal, blow."

The loose-knit National School Boards Association is showing itself well aware of the implications of this two-pronged threat to local prerogative. It makes the excellent point that in addition to professional educators, school boards need the active cooperation "of citizens not directly concerned with the operation of the schools."

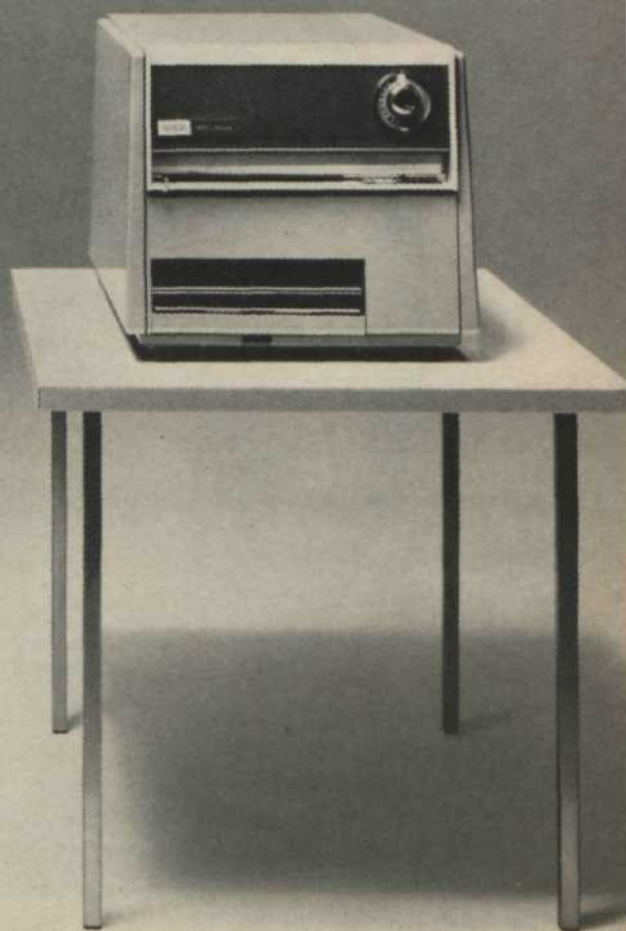
No civic group has a greater interest in the conduct of public education than those employers who are expected by the community to offer jobs to its products. Whether Johnny can read instructions, and whether Mary can write a legible letter, is very quickly ascertained by the personnel manager. His is a much more searching test of qualifications than is the average high school diploma.

Local school boards, almost without exception, would welcome the cooperation of local business leaders in their difficult responsibility. And this cooperation would give real evidence, more reliable than assurances from Washington, as to whether increased federal aid means better education.

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Business plans new sales surge

Executives examine
market challenges,
tell how they'll meet
them in months ahead

THE STRATEGY of selling will change in important ways this year as American companies fight to hold and expand their markets.

In a survey of top market-minded executives, NATION'S BUSINESS pinpointed some of the significant trends you can expect:

► There will be an unprecedented emphasis on product quality in the sales approach of many firms.

► Improved sales performance through improved sales management will be vigorously stressed.

► Selling efforts will be keyed to the needs and taste of the purchaser.

Even while they go all-out to achieve higher sales volume and earnings in 1964, many pace-setting companies will devote equal attention to the problem of equipping themselves for more successful selling over the longer haul.

This could be the most significant

development of all. "Companies are looking beyond 1964 and its anticipated high level of business activity," says Edward B. Reynolds, director of marketing for the American Management Association. "More and more, they seem dedicated to taking advantage of a good sales year to solidify and stabilize their internal organization. Product lines are being simplified. Channels of distribution are being straightened out. Management is taking a hard look at its sales manpower. Long-range planning is getting top priority. These are unusual events at a time when sales are booming. That they are taking place now is an indication of maturity that bodes well for the long-term outlook."

Mr. Reynolds' reading of the current situation is echoed by executives in the thick of sales competition. It's backed up, too, by long waiting lists of executives seeking to enroll in the AMA's seminars on long-range planning, which include popular sessions on planning in the marketing field.

There is general agreement that 1964 affords excellent opportunities for business to boost its sales performance over 1963 (see "Business Expects Big Gains, NATION'S

BUSINESS, December). Personal income is high, the public is in a spending mood and new households are being formed at a higher rate.

Fred Adams, director of marketing for American Motors Corp., says his industry is "well positioned for a third consecutive seven-million car year."

But ringing up profitable sales won't be a simple matter of taking orders. As Mr. Adams and other industry marketing experts point out, successful selling will depend on offering the consumer exactly what he wants.

"The top challenge in marketing is posed by the trend to individuality in consumption which began to emerge strongly in 1963," Mr. Adams says. "The American consumer has grown more sophisticated and knowledgeable. His affluence permits a wide choice in product quality and luxury, and this is particularly evident in the automotive market. The merchandising approach which appeals to individuality while recognizing the consumer's increasing sense of value will be the most successful in 1964."

Quality will be key

In all lines of business there is a mounting awareness of the impor-

BUSINESS PLANS NEW SALES SURGE *continued*

tance of high quality in the service for sale or the merchandise that finds its way to the showroom and display counter.

Citing his firm's "commanding position" as a producer of best-selling phonograph records last year, William P. Gallagher, vice president of marketing for Columbia Records, asserts that the consumer is looking more for quality of product and is less influenced by price considerations alone.

Adding impetus to Columbia's marketing efforts in 1964, Mr. Gallagher says, will be "a mature, comprehensive merchandising program with dramatic new national ads, point-of-sale merchandising aids and substantially increased local advertising so that distributors and dealers can aggressively bring Columbia's product to the eyes and ears of the consumer."

Another executive who agrees that quality will be a vital sales booster in '64 is the vice president for marketing of a company which makes heavy machine parts.

He told NATION'S BUSINESS: "Marketing efforts in 1964 must aim toward the delivery of goods of maximum quality with the very best of delivery and service. The fashionable term—profit squeeze—has brought on the necessity for minimum inventory. As a result, suppliers must improve their own flexibility to provide their customers with quick deliveries, for all industry must improve its cash flow."

Lee S. Bickmore, president of National Biscuit Co., says his organization will concentrate on quality in product and advertising this year, with "continued proven promotional attacks," plus concentrated and continued advertising.

"Our plans involve heavied-up research in the product areas of convenience and snack-type foods," Mr. Bickmore says.

Improving sales management

Finding and training high-performance sales manpower continues to be a major problem. Responses

from various companies suggest that efforts will be stepped up this year to maximize results in this area.

"The top selling challenge for 1964 is recruiting and training sales forces," says C. C. Smith, vice president of operations for the IBM World Trade Corp.

Mr. Bickmore says the biggest challenge for his company will be getting "all our organization to return to a real hard-sell approach."

From his vantage point at the American Management Association, Mr. Reynolds sees solid indications that in cases where companies add sales personnel to meet the demands of a good selling year the additions will be made soundly and without the sometimes frenzied swings that take place in this field.

A rising market, it appears, will not be permitted to hide inefficiencies in selling or over-all marketing operations. On the contrary, companies are closely evaluating the performance of salesmen and moving systematically to enhance their know-how.

PHOTOS: SHUGAR-BLACK STAR-LOWNDS-BENYAS-BLACK STAR



Edward J. Green of Westinghouse Air Brake: "More salesmen are helping their customers to solve problems"



Dudley Dowell of New York Life calls improved sales supervision vital. He urges more training for the trainers

Dudley Dowell, president of the New York Life Insurance Co., recommends three steps for the company interested in increasing sales in '64:

1. Devise more effective approaches to recruiting new salesmen.
2. Redesign salesmen's compensation plans.
3. Introduce more imaginative systems of recognition for the successful salesman.

"These three points," says Mr. Dowell, "add up to the basic challenge—the improvement of sales supervision. For the weakness in most sales operations lies in the day-to-day management of a company's force of salesmen. More emphasis must be placed on training the trainer. The sales manager is the keystone of the sales organization and it is up to him not only to attract new sales power to the organization, but to keep and develop it."

[For additional suggestions on how to improve the effectiveness of your

sales organization, see article beginning on page 62.]

Mr. Dowell says that his company, in its sales management training program, will take into account the forces that motivate the sales manager—"compensation, recognition, opportunities for advancement, and an effective system of regional supervision."

Many companies are moving to deepen their salesmen's knowledge of the products they sell and the usefulness which such products can have to the buyer and user. In some companies—IBM is an example—this entails the ability to show the purchaser how he can most profitably utilize the equipment purchased, and the development of new use capabilities for the equipment itself.

R. Lee Waterman, president and manager of the consumer products division of Corning Glass Works, Corning, N. Y., notes the challenge in his field "for new product concepts in household equipment

for the preparation, storage, handling and serving of food."

Buyer is king

Throughout 1964—and beyond—it seems certain that alert companies will strive harder to zero in on the wants of the consumer, whether these wants already exist or can be created through the introduction of new products.

Mr. Adams calls this "salesmanship re-oriented to the changing consumer."

He stresses the consumer's wide latitude of choice and search for individuality and warns that this trend dictates a need for greater efficiency in defining and measuring new markets and the need for more mature market planning.

"The catch-as-catch-can techniques are out," Mr. Adams says. "To reach the potential customer today, sales promotion must pinpoint its message with precision within the mass market—which places increased responsibility on

(continued on page 66)



Fred Adams of American Motors sees growing consumer choosiness as key to market success in current year



C. C. Smith of IBM underlines need for finding and training effective sales forces in today's situation

LOCAL LEADERS TIRE OF FEDERAL TIES

Survey points up grass roots dissatisfaction



Sen. Edmund S. Muskie goes over returns from the study made by his Subcommittee on Intergovernmental Relations

OFFICIALS OF STATE and local governments—which this year will receive an estimated \$10.4 billion of taxpayers' funds from the federal government—are not all convinced this is a good deal.

This opinion shows clearly in a nationwide survey conducted by the Senate Subcommittee on Intergovernmental Relations.

There is dissatisfaction at the grass roots with the way in which many of these programs are conducted, the survey indicates, and a strong desire that federal authorities give state and local governments more latitude in solving their own problems.

A significant number of officials surveyed urge that some existing federal programs be ended and demonstrate caution over inaugurating new ones. For instance, two out of three opposed establishment of a full-scale program of federal tax financing for metropolitan mass transportation systems.

In the past 10 years federal payment of tax funds to state and local governments has nearly quadrupled, rising from \$2.7 billion in fiscal 1954 to its present level of approximately one tenth of the entire federal budget. There are more than 60 current programs. They range from highway con-

struction and public assistance, which take up three fifths of the money spent, to handouts in such areas as education, housing and community development, public works, civil defense, hospital construction, waste-treatment construction, land and water conservation. Direct payments constitute 96 per cent of the total dollar figure.

End some programs

Many state and local officials say that some of the current programs should be ended, although only a minority would terminate all or most of them.

James Rennie, budget officer for the state of Maryland, says:

"We know from long experience that once the federal government has become involved it rarely will terminate a program regardless of whether there is justification to do so.

"Federal aid for vocational education, one of the earliest, is a good example. Begun in 1917 to encourage vocational training, it is still with us and has received continuously increasing appropriations. Yet, in a way, its very existence today establishes the failure of the program, or else after 45 years we would not need to continue to encourage its establishment.

"Quite conceivably, there are many programs which could be eliminated or revised to meet a changing situation. Recently, the Congress has been very concerned with the problem of unemployment

Government has no free money



as it relates to automation and the U. S. changing economic-industrial situation.

"The result of this concern was the enactment of the Area Redevelopment Act and the Manpower Retraining and Development Act. The Manpower Act was passed subsequent to the Area Redevelopment Act and both acts seem to have the same purpose—alleviating unemployment. It would seem either one or the other could be eliminated, but this has not happened."

The federal urban renewal program was singled out by Prof. Werner Z. Hirsch of the University of California's Institute of Government and Public Affairs:

"I am disturbed by the huge amount of money that is being allocated to urban renewal in the absence of a thorough understanding of its impact and objectives. These billions of dollars tend to be wasted and, what is perhaps more important, spent in a manner that is consistent with the long-run aspirations of urbanites.

"Therefore, until a substantial effort to understand more fully the impact of urban renewal has been accomplished and our objectives in terms of urban life and form are more fully understood, I would favor a great curtailment in expenditures on urban renewal."

Criteria which should be used to determine whether federal assistance programs should be continued are suggested by David Lawrence,
(continued on page 75)

DAVID J. MAYS is a Richmond, Va., attorney who heads the Virginia Commission on Constitutional Government, a state agency set up to study the constitutional relationship between the federal and state governments, and to bring to the attention of the people the problems of dual sovereignty.

Mr. Mays is a doctor of laws and a doctor of letters. He received a Pulitzer prize for his biography of Edmund Pendleton. He is author of a college text on business law and former president of the Virginia State Bar Association.

Having studied the effect of subsidies, Mr. Mays, do you favor them?

No. They bid fair to upset the entire equilibrium between state and federal functions. Shortly after the beginning of the century, they amounted to \$7 million. In 1960 they exceeded \$7 billion, a thousandfold increase, and they continue to go skyward. The expenditure of billions of dollars is bound to do some good, but they are wrong in principle.

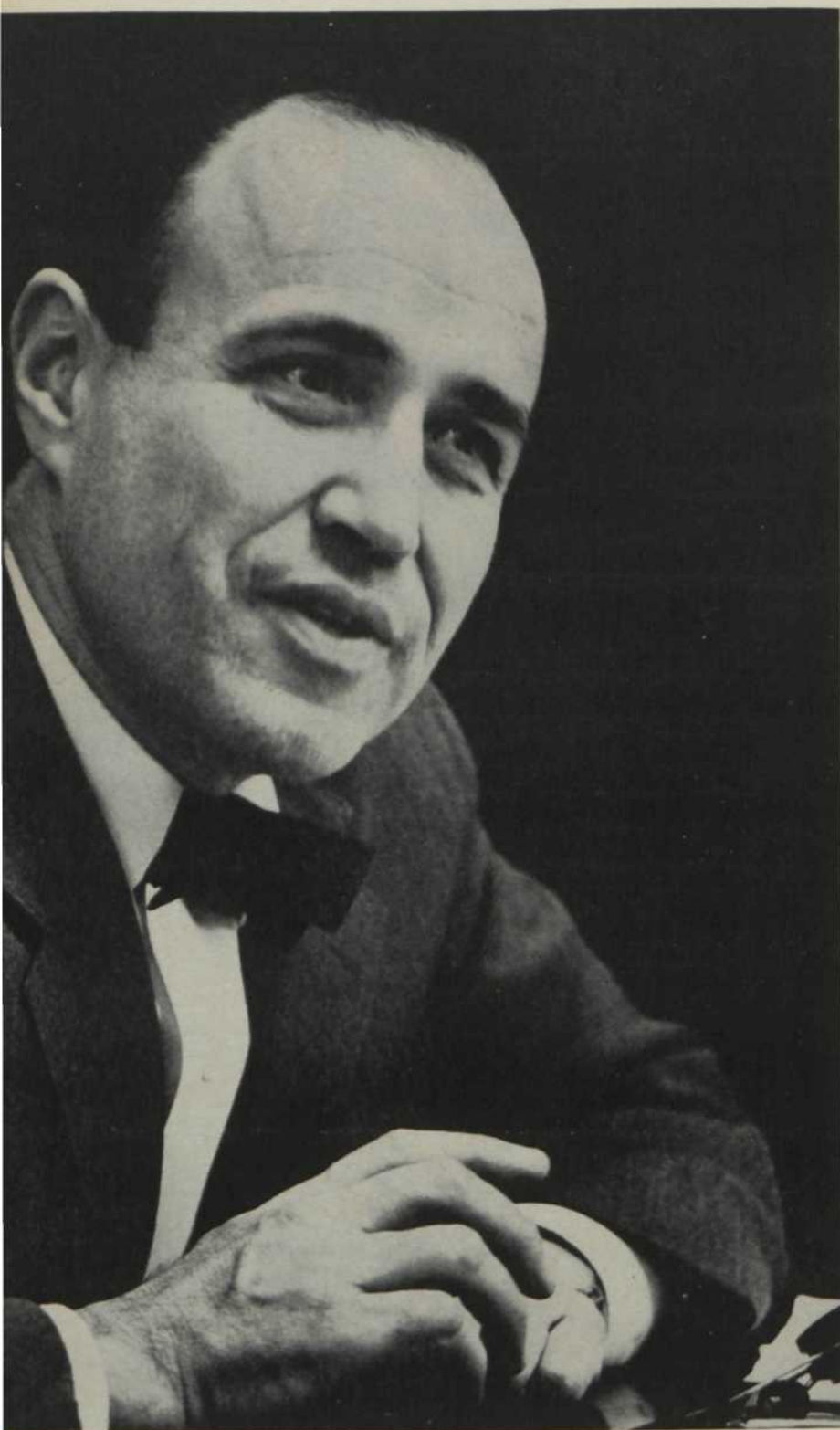
All of them?

Well, in the 1930's, the Supreme Court of the United States said that such appropriations are an economic matter for the Congress, thereby reversing its position of over a century and a half, but the states are going to disappear if in the future everything can be handled by the Congress as a matter of general welfare.

There is some justification for subsidies for highways because Congress has a right to establish post roads and, of course, highways are needed for defense, but most of the programs involve matters in which Congress should never engage.

Would you do away with all subsidies now?

No, that would be impossible. I would first stop any new types of subsidies, then I would try (continued on page 98)



FRED MAROON

BIG CHANGES are in the works at the Internal Revenue Service. They will affect you and your business in many ways.

The new tax law will mean new rules, new tax forms for you to use, new provisions to consider, new decisions to make.

To cut through the confusion and help carry out the new law with most efficiency and equity, the tax collector is planning an open door policy for business. Internal Revenue Commissioner Mortimer M. Caplin is inviting businessmen to inform and advise on just how the new law should be administered, how the regulations should be written. He tells about it in this interview with editors of **NATION'S BUSINESS**.

Meanwhile the tax collector is readying powerful new means for processing and checking on tax returns. The aim is to turn up cheats and mistake-makers and make tax-paying fairer and auditing more uniform for you.

So, simultaneously, most people will be paying lower taxes, while more tax dodgers will be paying higher levies.

In this interview, Commissioner Caplin tells you about increased services being prepared for businessmen. He explains what kinds of businesses are most likely to be audited. He gives you an easy formula for judging whether an enter-

Collector tells

WHAT NEW TAX LAW WILL MEAN

Coming changes are discussed by Internal Revenue Commissioner Mortimer M. Caplin in this exclusive Nation's Business interview

tainment expense is deductible. And he tells what direction tax collecting policies are likely to take under President Johnson.

Mr. Commissioner, can you tell us how some of the most important provisions of the new tax law will affect business?

I suppose the greatest benefit for business will be the reduction in rates. A small corporation will pay a tax of 22 per cent instead of 30 per cent on the first \$25,000. For larger corporations, in a two-step reduction by 1965, it will be 48 per cent tax on all income instead of the existing 52 per cent.

For unincorporated businesses you have rate reductions up and down the line. Beginning this year the present starting bracket of 20 per cent will be reduced to 16 per cent, and in 1965 will drop to 14 per cent; while the present top bracket of 91 per cent will go to 77 in 1964 and 70 per cent in 1965.

This should be highly beneficial to business. It will stimulate investment. It will encourage risk-taking, and should provide incentive for individuals at all levels.

On corporation consolidated income tax returns, the two per cent penalty tax is being eliminated. This will encourage affiliated corporations to combine their financial operations into a single consolidated income tax report. This would

present a true economic picture of their over-all performance.

For individuals who have sporadic types of income, I think the most dramatic provision is five-year averaging. A man might go along with an income of, let's say, \$20,000 a year for four years. Suddenly he realizes a hundred or two hundred thousand dollars. The new provision will give him relief from the full impact of the high surtax brackets, and he will be permitted to average out this increased income. He will do this by computing his tax as though the high income had been received ratably over the preceding five years. These are the highlights.

Isn't it correct that some corporations will not get a reduction for several years?

That relates to the corporations that have a tax liability of over \$100,000. They are going to be placed on a more or less pay-as-you-go basis. But this will be accomplished over a transitional period, which runs for seven years before it is fully effective.

Do you see any particular enforcement or compliance problems with regard to the new law?

Yes. The real challenge facing us is a communications problem. With a new law, we have the important job of getting all the details across to the public. This will involve a

large public information program, changing our tax returns, modifying booklets and instructions, training agents, and trying to participate in industry meetings, tax institutes—all to help business and the public at large to understand the new law.

I like to look at our tax administration job as primarily one of improving compliance rather than merely direct enforcement of the law. We collect most of our revenue in this country from what people report themselves and through withholding. The American public does a remarkable job in honest and fair tax reporting.

We are doing everything we can to help them in discharging their tax obligations and in seeing to it that they get every deduction and credit they're entitled to.

A new tax law is always a major undertaking for us, particularly one with numerous new provisions. The whole tax form will have to be modified for next year. For 1964 filings, we postponed some of the changes in forms we had in mind because of the pending big revision. The tax forms to be filed in 1965 will have major modifications.

And businessmen will have to understand and work with entirely new tax forms?

Yes. You know people frequently
(continued on page 90)

Future trend: Rising sales overseas

The Economist Intelligence Unit of London evaluates upcoming trade talks and weighs impact on U. S.

TWO COMING CONFERENCES, the next round of tariff negotiations under the General Agreement on Tariffs and Trade and the United Nations Conference on Trade and Development, will have an important impact on U. S. business.

The broad aims of countries taking part are clear—to lower remaining barriers to trade and improve the chances for exports from less developed countries. But the particular interests of the countries involved are varied and even conflicting.

This is especially true of the interests of the United States on the one hand and of the Common Market countries on the other.

It will be a triumph of will and sense if the present obstacles to agreement are overcome. But it is still possible. We might well see decisions leading to improved trading conditions before the end of 1965.

Both the U. S. government and American business have been giving more and more attention to exports as a way of raising employment and output at home.

Lower tariffs and better arrangements for trade in primary products are going to be essential to U. S. export expansion in the late 1960's. Only on such a basis can America

enlarge its surplus of exports over imports and eventually reduce the worrisome balance of payments deficit.

Lowering the trade barriers has long been an aim of U. S. policy. The 11 Reciprocal Trade Agreements Acts, operative from the Cordell Hull treaties of the 1930's to the Dillon round of GATT negotiations in 1961-62, all led to tariff cuts on specific items. All the cuts were inside a given percentage limit, but applied to a wide range of countries on a most-favored-nation pattern. Cuts actually realized in the Dillon round, working inside a 20 per cent limit, were on average about seven per cent on industrial items.

The Trade Expansion Act of 1962 was designed for quicker results. The need to secure and enlarge export markets was becoming urgent in the light of new regional groupings and the increasing external deficit. The Act envisaged cuts in tariffs, not just item by item, but across the board and by as much as 50 per cent. Cases of hardship were still to be heard by the Tariff Commission.

As an alternative to retaining existing tariffs, there was the possibility of federal aid to injured employees and firms, but, as before,

the final ruling on tariffs rested with the President. This is the key which has opened the door to the next round of GATT negotiations, due to begin in May.

Preparatory meetings were held in Geneva last May, and further meetings are being held as needed. The main concern of the U. S. has been to maintain and if possible improve its access to the Common Market.

The big risk is that, as Common Market internal tariffs come down—they are already 40 per cent below their 1957 base—the remaining external tariff wall will block imports from the U. S. Another risk is that Common Market agricultural arrangements will reduce or prevent a rise in the import of farm products from the United States.

Sharper cuts sought

Common Market countries have agreed to the principle of cutting most industrial tariffs across the board within a 50 per cent limit. But they want sharper cuts on the highest existing tariffs. This is significant because U. S. tariff heights are much more widely spread than those in the European trade bloc. The U. S. has agreed to this. In return, the Common Market countries have agreed that negotiations

should include farm products and nontariff barriers to trade.

None of these preliminary agreements—on the main industrial tariff cuts, on the high-tariff exceptions, or on farm products—has yet been taken beyond very general terms.

If the United States and Common Market countries are able to make progress, other industrial countries, such as the United Kingdom and its partners in the European Free Trade Association, will probably go along. Existing EFTA tariff heights vary, but the U. K. is typical with an average 17-18 per cent on industrial products. The existing averages of the U. S. and the Common Market are both in the 15-16 per cent range.

The most that can be expected from the negotiations is an average reduction of about 30 per cent—a little more in the case of EFTA and also more in the case of the highest U. S. tariffs—to a general level of perhaps 10-12 per cent.

For farm products it is possible that the existing degree of discrimination will be held. That is, it will not be allowed to become more extreme; but all the Common Market countries will want to go on protecting their agricultural economies.

Even such limited progress could be important for American companies. More than a fourth of U. S. exports in 1963 went to West Europe, about 17 per cent to the Common Market and nine per cent to EFTA. Of U. S. food exports one fifth went to the Common Market.

Because Common Market industrial tariffs already approach the ultimate common external tariff rates, and these rates are quite closely grouped around the average 15-16 per cent, a 30 per cent reduction would give fairly even concessions to U. S. exporters.

Some products would be more sensitive to concessions than others. In finished manufactures there are products, including washing machines and radios, which are avail-

able so readily and cheaply inside the Common Market that a tariff cut alone is unlikely to open up a much wider market for the U. S. There are other products, such as special machine tools and electronic control equipment, in which the U. S. has an obvious technical lead and can sell in the Common Market in spite of the existing tariff. Here a cut might substantially enlarge the market.

In the field of semifinished products, including metals and chemicals, there might be more general gains. But in the course of the negotiations there will be a tough fight to retain high tariffs on such items as steel in which U. S. exports are already threatening the market of a powerful European industry.

What are the chances of success? The inclusion of farm products, ultimately so essential a principle, has nonetheless created complications. There is an almost universal willingness to lower tariffs on industrial products. Even the French would probably like to lower them. But, while the Germans are very keen,

the French seem to be using reluctance as a bargaining lever to increase their chances of selling farm products inside the Common Market under the final arrangements for U. S. agriculture.

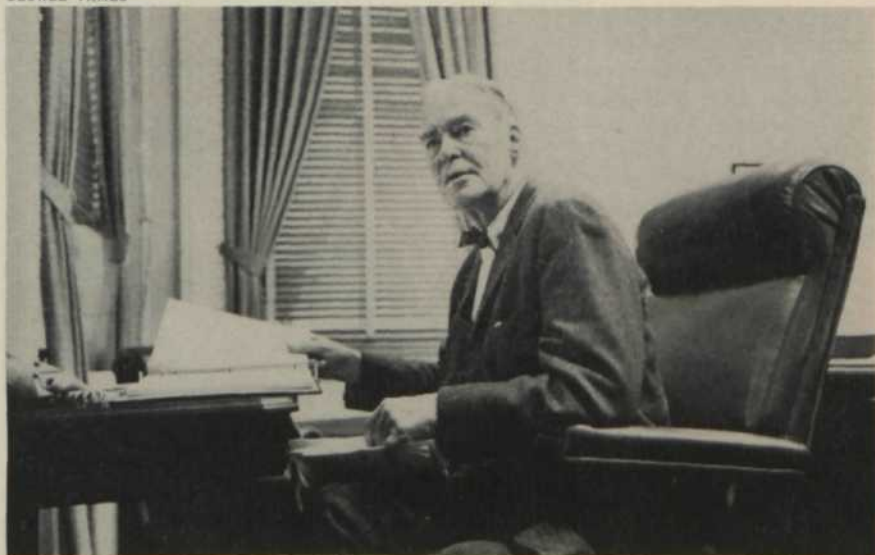
It is just possible that this maneuver by the French is part of a wider strategy, extending to the economic field the pursuit of French leadership in Europe. This would follow the blocking of Britain's entry into the Common Market and of U. S. plans for NATO. But, if it meant the complete defeat of GATT, it might also destroy the Common Market. In the light of the ending of the recent crisis, such a risk seems unlikely to be taken even by General de Gaulle. The French will drive a hard bargain in the GATT negotiations, but will probably allow some progress on industrial tariffs in the end.

Farmers fear competition

On farm products the resistance does not come directly from France but from the high-cost farming
(continued on page 98)

Christian A. Herter, the nation's special representative for trade negotiations, will head delegation at tariff talks

GEORGE TAMES



HOW TO SPOT FALSE

Poses of economy-mindedness in Congress often hide increases in federal spending

WITH SENTIMENT for economy now running high in Washington it's a safe bet that Congress will make some bogus cuts in President Johnson's budget—as well as genuine reductions.

Lawmakers were put on the spot by the Johnson budget, which projects spending for the coming fiscal year at less than expenditures this year.

Members of Congress want some of the credit for economizing. But they know voters object if expected public services or benefits are curtailed.

So the House and Senate Appropriations Committees will undoubtedly be searching for new ways to add to their past practices aimed at impressing voters that they are slashing proposed Presidential spending. As a businessman who pays heavy taxes, you have an interest in this maneuvering.

Bogus budget-cutting is sometimes defended as a childish game of pretense which makes the voter feel better, makes Congress look better, and harms no one.

However, a case can be made that any sham economies are in

reality anti-economy moves that indirectly tend to boost government spending. In the first place, to the extent that voters are deluded, grass roots pressure for economy is diminished. In the second place, some sham budget cuts are devised to help appropriations subcommittee chairmen increase expenditures for their pet projects.

Before looking at some phony cuts which may be made this year, consider the remarkably repetitive pattern in the annual battle of the budget.

The budget, which the President sends to Congress every January, is for the fiscal year that will start the following July.

Almost always, Congressman Clarence Cannon, chairman of the House Appropriations Committee,

Senate Appropriations Committee, led by Chairman Carl Hayden, faces tough job with President's reduced budget



BUDGET CUTS

and Chairman Carl Hayden of the Senate Appropriations unit, along with many of their colleagues, begin looking for and predicting ways Congress can cut spending.

Every spring and summer news reports from Washington announce that Congress is, indeed, whacking the President's budget.

However, when the Treasury closes its books for the fiscal year, spending usually equals, and often exceeds, the original budget estimate submitted 18 months earlier.

Does this mean that all congressional economizing is phony?

By no means.

In fact, if Congress during the past three years had made all of the spending commitments and granted all of the spending authority requested, President Johnson's new

spending budget would be billions of dollars higher.

Better than any previous chief executive, President Johnson knows how the game of bogus budget-cutting is played. His gamesmanship as majority leader of a Democratic Senate used to infuriate the Eisenhower Administration, which found itself repeatedly trying to explain that the bills Senator Johnson was putting through Congress were more costly than the Administration's proposals, though the price tag often seemed little, if any, bigger.

A case in point was a public works appropriations bill, the only measure enacted over an Eisenhower veto. It included funds to start more than half a dozen unbudgeted projects which eventu-

ally would cost hundreds of millions of dollars. However, total money in the bill was no larger than President Eisenhower had requested. The extra funds for starting the disputed projects were offset by trimming annual allotments for other projects already under way. The latter resulted in no long-run saving, since the deleted funds would have to be provided eventually.

Everybody plays the game

Both parties have embraced imaginary budget cuts. When the Republicans controlled Congress, they, too, played the game with zeal and skill.

In 1947, for example, the Republican Eightieth Congress fortified its economy record against President Truman by denying \$800 million needed to pay income tax refunds the following spring. When the President again requested the money early in 1948, the Republicans rushed it to him to avoid the wrath of taxpayers who were entitled to refunds. But in Congress' budgetary books that action did not erase the \$800 million saving recorded in 1947. A budget is a prediction of what will be spent to pay past and present bills that come due during a particular fiscal year.

New federal programs generally cost relatively little in the first year of operation. Their impact on Treasury spending rises gradually. Similarly, a large share of the funds for defense, space and foreign aid programs does not actually flow out of the Treasury until several years after Congress approves their expenditure.

Contracts for construction of a nuclear submarine, a missile, or a dam cannot be let until money has

(continued on page 46)

In the House, Appropriations Committee Chairman Clarence Cannon is perennial foe of big spending



UPI PHOTOS

Vincent J. Burke, author of this article, is Washington correspondent for the Los Angeles Times and has reported congressional action on the budget and other economic legislation for 13 years.

A LOOK AHEAD

State taxes head up

(Taxes)

What a rail strike means

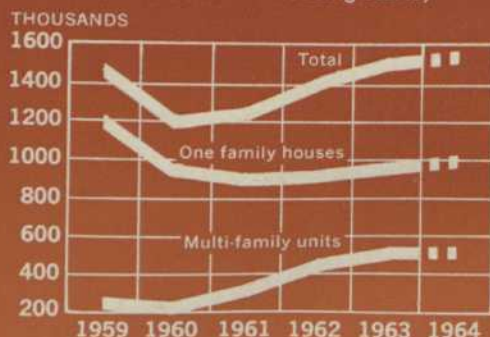
(Labor)

Drought may hit farmers

(Agriculture)

How new apartments grow

(private nonfarm housing starts)



AGRICULTURE

Drought.

The word used to strike fear. This year it can shape farm politics.

Keep your eye on winter snows and spring rains—or lack of them—here and in Europe. Dry years often come in twos and threes and last year was driest since mid-50's here, one of the driest on record in Russia. Vital subsoil moisture is low, could drop more in plains states wheat belt. U. S. cattlemen would be vulnerable in a new dry spell.

Don't worry about shortages here. There'll be plenty to eat, say Agriculture Department specialists. Hardy new seeds make many crops drought-resistant, though not necessarily droughtproof. Short crops of wheat and feed grains could boost exports from U. S. stockpiles. This dramatizes the need for farmers to have greater flexibility in planting than tight federal controls would allow.

Even relatively small drought damage to major crops could rouse political pressures on Congress. The Johnson Administration could make use of these forces to rush an expensive election year farm subsidy through Congress.

CONSTRUCTION

Mortgage market tightening will harass builders later this year. So say builders and federal experts.

Marginal credit risks already find loans scarcer for new homes. A revved-up business boom would draw funds away from buildings. Economists watch possible overbuilding in some cities. Apartment and office building construction may not climb as fast this year as in the past, say some forecasters.

But long-term signs point up, they figure. Pepped-up economy will aid business building. Rapidly expanding crop of marriageable and apartment-seeking war babies should spur builders of multi-family units.

New house customers increasingly become families seeking better homes, instead of simply an inexpensive place to live.

CREDIT & FINANCE

Securities firms handling your investment accounts may wind up with greater regulation than expected due to the scandal involving Allied Crude Vegetable Oil Refining Co.

The scandal's backlash, which forced liquidation of one big brokerage house, brings pressure for greater protection of brokerage customers' accounts. Before the troubles, many securities industry officials had expected routine action by the House on Senate-passed legislation to carry out the Securities and Exchange Commission's recommendations on regulation of securities trading.

FOREIGN TRADE

If your business relies on government programs other than tariffs for protection against competition from foreign imports, you may be in for trouble. European and other foreign industrial nations aim to demand the U. S. tear down such barriers in trade talks scheduled to start in May.

This is a reverse twist. The U. S. has pressed for years for Europe to end subtle taxes, exchange restrictions, quantitative quotas. Christian Herter, chief American trade negotiator, will seek further gains. But he probably will have to give away some weapons in return.

Measures under attack include:

Antidumping rules. Foreigners complain U. S. firms use dumping complaints to shut off imports of low-cost products while American companies dump surplus products abroad at below cost. U. S. bargainers talk of an international dumping arrangement.

Buy American policy. Federal bidding favoritism for domestic companies is an unfair subsidy, foreigners say. U. S. replies that other countries use other techniques for same ends.

"A.S.P." or American selling price. The U. S. bases its tariffs for chemicals made from oil, natural gas, coke; rubber footwear; a few other products on selling price of similar domestic items instead of the foreign export price. This

boosts duties about 80 per cent on average for chemicals, foes figure.

LABOR

How will President Johnson act in a labor crisis? Will government curb further free bargaining between management and labor?

Answers to both questions may well begin unfolding late this month. It depends mainly on the railroad on-train unions. They are negotiating with the carriers on a wage increase and work rule changes. The volatile issues remain from last summer's strike threat. Congress sent the main points at dispute—companies' freedom to eliminate featherbedding involving firemen and other crew members—to arbitration. The arbitrators' award, favorable to the roads, is being challenged in court by the unions so won't be the basis for a strike. But the issues now in negotiation may be.

Congress' ban on a rail strike ends February 25. Few think unions and carriers will have signed a new pact by then. Labor seers doubt George Meany and other AFL-CIO chiefs want to embarrass a Democratic president with a nationwide strike in this election year. But rail union leaders often act independently. If they do strike, Mr. Johnson would face demands for action.

If union recalcitrance persists, Congress might react with a compulsory arbitration law extending well beyond the rail industry.

MARKETING

Some joint ventures may face increasing fire from federal agencies. Federal Trade Commission lawyers are quietly scrutinizing certain joint undertakings for possible infractions of antitrust, merger or other laws. Business attorneys suspect the government is seeking a clear-cut test case.

Joint ventures under the microscope are companies organized and owned by two or more established firms and which make products that the parents might have made in competition with each other. Many

jointly owned companies, of course, have been making new products and providing commonly needed services for years and aren't drawing federal attention.

Another FTC attack on joint dealings will probably die. That's the opinion that cooperative ads by small retailers may not legally mention prices. The agency backs off under fire from a House Small Business Subcommittee.

NATURAL RESOURCES

Whatever business you're in, the cost and reliability of your electric power supply is important. You'll be interested, then, in the results of the Federal Power Commission's national power survey now under way.

When completed this year, the survey is supposed to provide guidelines to the electric power industry—both private and public systems—for development across the country into the late 1970's. The FPC, in fact, sees the survey as a key tool in its task of encouraging "the nation's electric systems to plan to meet growing power needs at a minimum cost through a fully interconnected and coordinated power supply system."

Some industry leaders, however, fear the survey will be used to promote a federal power system.

Whatever the political conclusions, if any, the survey is already producing volumes of interesting forecasts. Example, from just one task force report: California's additional electricity needs will be met by power plants burning natural gas until the early 1970's. Then nuclear power plants will meet the added demands.

TAXATION

Before you feel too smug about your savings from the federal tax cut, better check in with your state capitol and city hall. Under pressure for expensive new services, state and local lawmakers are planning increases in old taxes and are searching for new gimmicks. You already pay close to \$45 billion a year in nonfederal taxes.

Oregon, for example, has just required firms to speed up payment of state income taxes withheld from employees' paychecks. Virginia politicians expect to adopt a sales tax next year.

More states are edging up to the present eight cents a pack frontier for state taxes on cigarettes. Pennsylvania's five per cent sales tax, tops in the nation, gives other states something to shoot at.

Fiscal troubles in Michigan, Ohio, New Jersey, Massachusetts, Washington make these states prime candidates for new revenue measures.

As is the Internal Revenue Service, state tax collectors are tightening enforcement. More than 20 now swap information on withholding records, other data with the U. S. government.

TRANSPORTATION

Raising the estimated \$1 billion development cost is far from the only financial problem surrounding the planned U. S. supersonic airliner—the SST.

Once the plane is built, airlines must get the money to buy it at probably \$20 million-plus each. Some carriers already have debt repayment programs running for one or two decades just to pay off present subsonic jets.

This and other tough problems will spur lines to comb over the economics of air frame and engine construction proposals. For example, it cost major airlines some \$20,000 a man to train a piston-qualified pilot to fly today's jets. The advance to the SST would presumably cost even more.

The government will get indications of carrier feelings when they compare evaluations of manufacturers' proposals with the Federal Aviation Agency in late March.

How much is the \$1 billion development cost? Karl M. Ruppenthal, Stanford University transportation expert, notes it equals total annual individual U. S. income taxes paid in Arizona, Idaho, Montana, Nevada, New Mexico, North Dakota, South Dakota, Utah and Wyoming.

FALSE BUDGET CUTS

continued from page 43

been appropriated to pay the bills. Then it takes a long time before the project is completed and the final payment made from the Treasury.

Few voters understand the complicated budgetary process. And no wonder. It is poorly understood in Congress and badly reported to the public. The word "budget" is used interchangeably by lawmakers and by the press to describe: 1, the President's spending budget; and, 2, appropriations of money made by Congress. The two are quite different.

Each year most Washington correspondents write that the President is "asking" Congress to approve his new spending budget.

It would be more accurate to say that the President is "telling" Congress how much he thinks it will cost to pay all government bills due in the 12-month period starting July 1.

Even if you assume the President has not deliberately underestimated his expectations for political reasons, the accuracy of his forecast will depend on many factors.

Unless Congress is willing to cancel some existing spending commitments, a radical step which has seldom been taken, the lawmakers

can expect to play a relatively minor role in influencing the size of spending in the year immediately ahead.

In the first place, much more than one half of the money the President intends to spend either is already in his hands (appropriated by prior Congresses) or is not subject to refusal by Congress, unless Congress changes or repeals laws requiring its expenditure.

In the second place, developments over which neither Congress nor the President has any control will help determine whether more or less than the President's budgeted estimate is spent.

The cost of carrying out farm price support commitments will depend on the size of the harvest, which, in turn, is heavily dependent on the weather. The amount budgeted for interest on the public debt was revised upward by \$500 million last July, when monetary authorities raised the discount rate to combat a gold-draining flow of short-term investment funds abroad.

Three categories

The appropriations requests to Congress generally fall into three categories:

1. Funds earmarked for spending in the current year, and which can be denied without violating legal commitments. Salaries are an ex-

ample. Congress can cut the President's spending budget by forcing him to fire one or two White House gardeners or by denying funds for additional Justice Department attorneys, for example.

2. Funds which the executive branch wants to commit now, but which will not actually be paid out of the Treasury for several years. Denying these funds will result in a saving, but not immediately. For example, several years ago Congress slashed appropriations for the foreign aid program \$800 million below the amount requested by the President. However, because of previously appropriated funds already in the pipeline, foreign aid spending that year climbed \$1 billion above the amount first budgeted.

3. Funds earmarked to meet payments required under existing laws. These include veterans' benefits, unemployment compensation to federal employees who lose their jobs, subsidies to ship operators and shipbuilders, and a wide variety of federal grant programs under which the Treasury is obligated to match funds provided by state or local governments for various activities.

Among the leading architects of some economy maneuvers are Rep. John E. Fogarty, Rhode Island Democrat, and Sen. Lister Hill, Alabama Democrat. They are chairmen, respectively, of the House and Senate appropriations subcommittees which draft the money bill carrying funds for the Department of Health, Education and Welfare.

At the prodding of Messrs. Fogarty and Hill, Congress for a decade shoveled extra money at a rapid rate into the Department's National Institutes of Health. Research by the Institutes mushroomed. After complaints of waste and inefficiency erupted, the House last year set up a special committee to investigate alleged duplication in federal research and Messrs. Fogarty and Hill decided against adding unbudgeted funds to the 1963 bill. In a report accompanying the 1963 money bill, Representative Fogarty asserted, however, that he had no apologies for enlarging research faster than the Eisenhower or Kennedy Administrations had recommended.

The Fogarty and Hill subcommittees managed to expand spending for research while holding total funds in their appropriation bill at, or close to, the amount requested by the executive branch. They ac-

(continued on page 51)

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What's needed after tax cuts

Tax reductions will make a major contribution to the nation's economic growth. But they won't solve all our problems. This article outlines other actions that should be taken to stimulate U. S. growth.

How to crack foreign markets

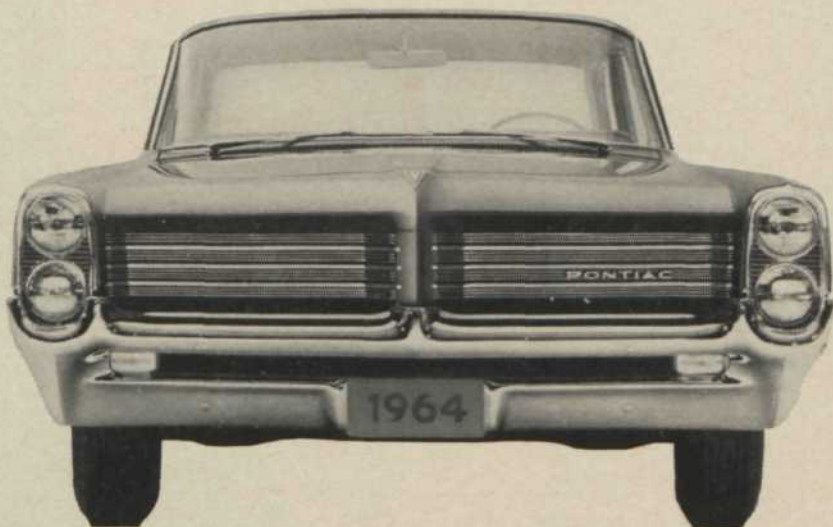
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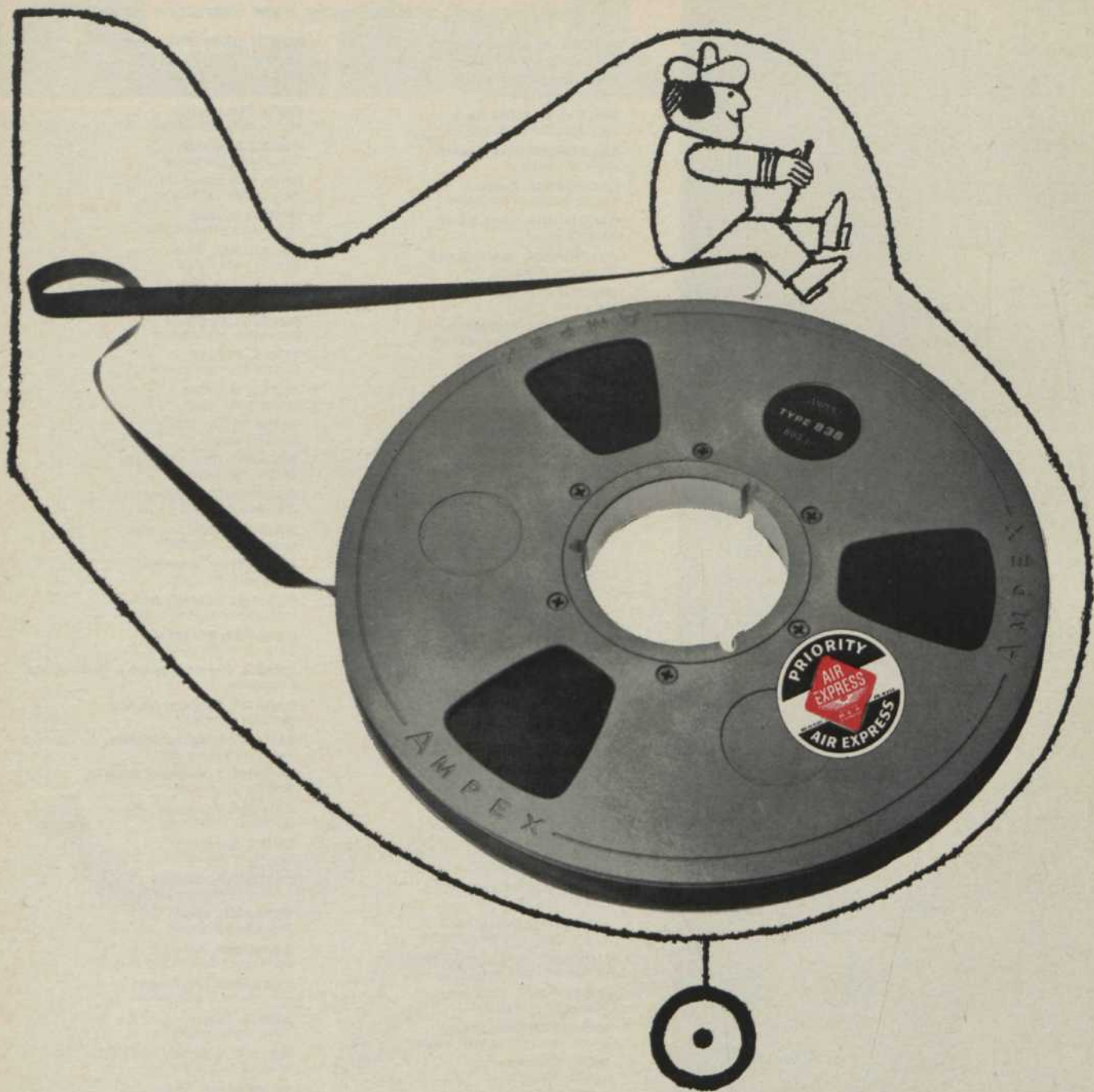
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FALSE BUDGET CUTS

continued

complished this by making a bogus saving in another HEW program—federal tax funds to help states finance their relief rolls.

There is perhaps no activity so immune from a real cutback. Congress frequently changes this public assistance program, but only to liberalize it, usually in election years. The last change, made in the fall of 1962, raised the federal contribution to each state for each needy person on the state's relief rolls who is disabled, blind or over 65. This revision, which the Administration did not request, raised federal costs about \$100 million a year.

As a result, the Administration estimated last January that it would need \$2.9 billion for public assistance during the current fiscal year. At the recommendation of Messrs. Fogarty and Hill, who said the Administration had overestimated the need, Congress appropriated only \$2,750,000,000.

Actually, this \$175 million money cut did not save the taxpayers a penny. The program's cost depends on the actual number of relief recipients, not advance estimates. If the Administration's forecast was correct, the funds will last only 49 weeks, instead of 52. Congress, at the President's request, will provide the rest this spring. (If the original estimate was high, the surplus would remain in the Treasury because it could not be spent for any other purpose.)

Farm savings thwarted

The same kind of ersatz thrift is engineered by Rep. Jamie L. Whitten, Mississippi Democrat, who heads the House appropriations subcommittee which drafts the money bill for the farm program.

With the help of rural lawmakers of both parties, Congressman Whitten has compelled Presidents for more than a decade to spend an extra \$100 million a year for the agricultural conservation program.

This program reimburses farmers for part of such out-of-pocket expenses as building ponds on their own farms and spreading lime on their soil—in some cases to help grow more surplus crops. It operated at a level of \$250 million a year under the Truman Administration. The Eisenhower and Kennedy Administrations tried to cut it to \$150 million, but each year Representa-

tive Whitten thwarted the move by putting a directive into the farm money bill ordering the Administration to spend \$250 million on the program.

Because the directive forced the President to request the extra money, the budget-boosting action was attributed to him, rather than to Congress.

In fact, the maneuvers of Mr. Whitten and his colleagues have managed to delude those city congressmen and news reporters who are untutored in the complexities of financing farm programs. They have been led to believe that Congress each year subtracts from instead of adding to, farm spending budgeted by the President.

Farm price supports are financed by the Commodity Credit Corporation, which loses several billion dollars a year in its subsidy operations. The losses reduce the agency's \$14 billion drawing account at the Treasury. Each year the President asks Congress to make up the loss by adding cash to the agency's account.

Since the amount requested would provide a big surplus above anticipated needs for the next 12 months, Mr. Whitten's subcommittee denies part of the new cash each year. The maneuver last year enabled Congress to claim a budget savings of \$100 million.

Actually, there was no saving whatever. Should the agency unexpectedly run short of cash needed to meet its price support commitments, the President could be counted upon to request extra funds, which Congress would grant. This happened last spring.

Like the Fogarty-Hill tactics, this illustrates a key ingredient that Congress uses in serving up false economy to the voters: It compels the President to ask twice for the same money. Congress grants the money to him only once, thereby establishing a record of denying presidential requests for money.

This is one of the reasons you cannot accept at face value all the proud records of the House Appropriations Committee, which show that Congress during the eight-year period 1955-62 denied more than \$23 billion in presidential requests. Actual spending during those years soared \$19 billion above the amounts originally budgeted by the President.

Trickier than usual?

When the tax-cutting drive produced public pressure for economy last year, Congress resorted to more

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FALSE BUDGET CUTS

continued

than its usual amount of budget-cutting legerdemain.

Without making sharp cuts in the defense program, the lawmakers managed to slash \$1.8 billion from the defense funds requested. This feat was performed by Sen. Richard B. Russell, Georgia Democrat, and Rep. George H. Mahon, Texas Democrat, who preside over the defense appropriations subcommittees.

One stratagem was to deny some of the requested funds and then negate the denial by granting the Pentagon authority to use, instead, surplus funds placed in its checking accounts by previous Congresses. Another ploy was to withhold a significant percentage of the money requested for the military payroll in the current fiscal year, but forbid the Pentagon to reduce the size of the armed forces. It was as though a corporation's board of directors told the plant manager to cut the payroll cost without reducing the number of workers or their wages.

Why haven't Republicans protested more vigorously against the budget-cutting pretensions of the present Democratic Congress?

One reason is the belief among legislators that phony budget cuts benefit incumbents of both parties by shifting blame for big spending from Congress to the President.

The budgetary process is so complicated that nobody can tell you at the end of a congressional session precisely what impact Congress has had on the President's spending budget. To make even a stab at it, you would need a computing machine, a big staff of budget experts, and access to top-secret military information.

But you can count on one thing. When the gavel falls at the session's end, all of the requested funds which Congress has denied—the real, the counterfeit, and the economies which will not show up for several years—will be lumped together into one gigantic total by the staff of the House Appropriations Committee.

Then Chairman Cannon will announce the exact total which the lawmakers have saved—in billions, millions, thousands, hundreds and tens of dollars, and pennies.

Many members will seize upon the statistic as proof of their thrift.

To which informed citizens might well reply: "Oh, yeah?"

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CRISIS FORCES SHOWDOWN

Farmers, like businessmen and consumers, are now finding supports raise prices but curb sales

PRESIDENT JOHNSON's farm legislative proposals notwithstanding, the federal farm program appears headed for a revolution born of crisis.

What happens to the farm program is important to you as a businessman, taxpayer and consumer. Today's high supports affect the price you must pay for farm products, whether as raw materials for manufacturing or as dinner table fare. The supports add to the taxes you must pay. They can help or hinder the ability of the nation's 3.7 million farm families to buy your goods. And the support programs can raise or lower exports.

The building crisis is the failure of the 30-odd year old federal high price support program to turn American agriculture into the prosperous, expanding section of the economy that it could be.

Consider:

U.S. cotton is losing markets at home and abroad at an accelerating pace. Wheat prices seem likely to fall whether or not Russia buys more grain and Congress passes emergency legislation, thus stirring wheat belt unrest. Tobacco, already losing markets abroad as a result of federal policies, may well lose

even more sales at home as a result of government and other studies of the potential dangers of smoking.

The chances of drought this summer mean worries of possible short crops for wheat, corn, and cattle.

Mr. Johnson hopes to ease these and other ills with emergency agriculture legislation this year. He wants price bolstering help for wheat and surplus stunting measures for cotton on the theory that these actions would curb unrest in two politically important regions—the plains states and the South.

It is highly uncertain whether Congress will approve the President's proposals because there is much evidence that farmers themselves dislike the growing number of controls built into Administration-type price support plans. But even if Congress does go along, there's little doubt that the revolution currently building up against present federal farm programs will continue. The revolution, agricultural politicians and economists predict, appears heading toward a scheme for turning the federal program into an out-and-out government social welfare plan for poor

farmers only. This would contrast with the present system of high federal props for prices accompanied by varying degrees of government controls which hit all farmers.

Such a program could largely free farmers to run their own farms and to take advantage of opportunities to sell more products both here and abroad. It would also mesh with the growing emphasis in talk by Johnson Administration leaders on the problems of rural poverty. This involves troubles of many small farmers who are unable to produce commodities economically.

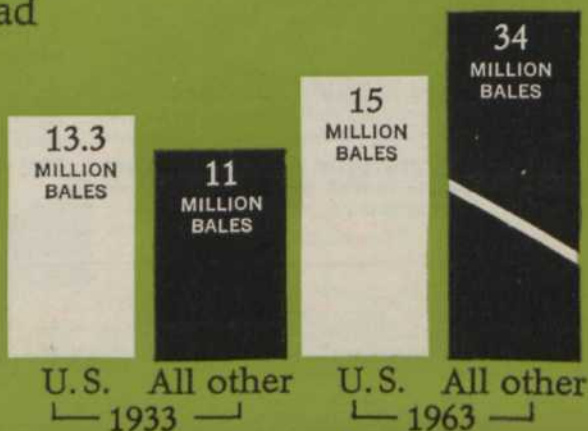
"How fast the government moves in this direction depends on the kind of President we have," says one farm politician. But he adds that there's little doubt that the change is indeed coming, regardless of who is in the White House.

The reason: growing evidence of how the present jerry-built system of high government price supports can harm rather than enrich the nation's farmers.

For these reasons and more, the present federal farm program clearly seems to be hastening its own demise. Nowhere is this trend more evident than in Washington, where

Cotton output stalls here, soars abroad

High price supports are undermining U. S. cotton's once dominant position in the world cotton market. As demand for fibers has climbed, U. S. cotton output has been forced to remain practically unchanged by federal order. But foreign production is soaring



ON FARM SUBSIDIES

changes in farm legislation are enacted.

Among senators and congressmen, farm legislation is rapidly becoming a headache to be avoided instead of an opportunity to be grasped for political mileage. Since 1960, for example, seven politically astute senators from farm states have resigned from the Senate Agriculture Committee, a sure sign of the political pitfalls lying among agriculture's mounting troubles. The seven start with the Democratic whip, Hubert Humphrey of Minnesota, and include Democrats Stuart Symington of Missouri, Stephen Young of Ohio, William Proxmire of Wisconsin, and Philip Hart of Michigan, plus Republicans Karl Mundt of South Dakota and John Williams of Delaware.

Farm bloc split

Much of the political danger in the farm program lies in dissatisfaction with the present high support system. The old farm bloc has split so badly as a result of the farm program's troubles that it now seldom has the political strength to push positive legislation through Congress, as in the easy days of the 1930's and 1940's.

The largest and historically most powerful farm organization—the American Farm Bureau Federation—favors new programs which will let farmers grow more products and sell them at lower, competitive prices in the world market. More

liberal farm organizations such as the National Farmers Union, however, demand higher price supports. As a result, farm forces have chiefly the negative power enabling them to block major changes. And many farm politicians believe that even that power is waning.

Part of the political weakening of the farm bloc is due to the rapidly declining number of farmers, of course. The farm population is shrinking at a 700,000 a year rate, based on statistics of the past decade. Fewer young men stay in farming because of limited opportunities. The number of farms in the nation dropped more than 30 per cent during the 1950's alone. Many a midwestern and southern congressman, as a result, is finding himself with an urban instead of rural majority in his district.

This population trend is already having its effect on Republican and Democratic campaign planning for this year—more attention to cities and less to farming areas. It's just a question of time, many politicians are convinced, before the trend will produce changes in the high price support program.

A more basic sign of the farm program's troubles lies in growing evidence of the damage it does to farmers and the country's economy.

Consider cotton.

American cotton growers were so important in world trade 100 years ago that Britain felt compelled to stay on good terms with the Con-

federacy to assure steady supplies for its textile mills. Thirty years ago, when the federal government was just taking over farm controls, U.S. growers produced more than 13 million bales (500 pounds each) a year and dominated the world fiber market. The rest of the world produced only 11 million bales.

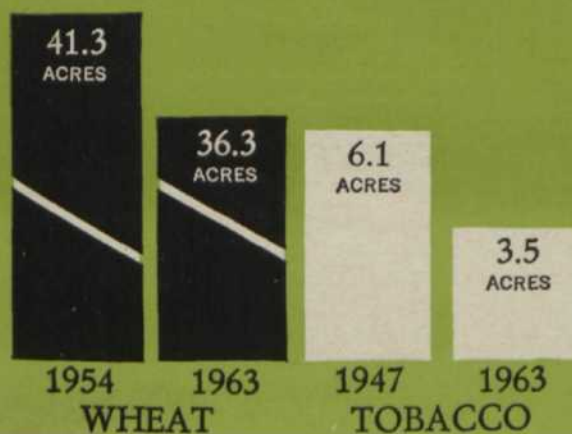
Today, however, the rest of the world—not the U. S. cotton grower—dominates markets. Acreage controls and other federal restrictions hold U.S. output to some 15 million bales—the 1963 harvest figure—despite great advances in yields per acre. Cotton production outside the U. S., however, climbed to 34 million bales in 1963. World output of man-made fibers—rayon, nylon, orlon, dacron, and others—has surged from the equivalent of 1.2 million bales of cotton to more than 23 million bales during the same period.

Don Paarlberg, professor of agricultural economics at Purdue University and former top economist at the Agriculture Department during the Eisenhower Administration, says:

"During the past 25 years worldwide per capita consumption of all fibers increased from 7.5 pounds to about 11 pounds and world population increased by nearly a billion people. This was an enormous, growing market, much of it ours if we had gone after it. But we did not. American cotton conceded to its rivals, foreign cotton and synthetic

U. S. controls pressure farmers to quit

Federal controls restrict the amount of land farmers may plant in major crops. These limitations often force little farmers to quit and bar larger farmers from making full economic use of cost-cutting equipment



FARM SUBSIDIES

continued

fiber, virtually the entire growth in the world fiber market."

New subsidy considered

So complex has the cotton situation become that the government doesn't stop at subsidizing the cotton farmer through price props at a basic 32½ cents a pound. It also subsidizes exports of cotton at an additional 8½ cents a pound, because the federally pegged price is so far above the world market price no one would buy U. S. cotton. Even this subsidy fails to keep the U. S. price competitive. Now Congress is considering a similar subsidy on cotton used in the United States so that American textile mills will have an equal break on the cost of raw materials with foreign competitors.

"We are in an impossible price situation," Dr. M. K. Horne of Memphis, chief economist of the National Cotton Council, which represents growers and processors, told NATION'S BUSINESS.

"There is simply no future for American cotton unless our domestic market price is moved down to a competitive level on some basis which gives our textile industry and the whole world real confidence that it will stay competitive in the years ahead."

A look at the basic cotton price support program shows how the government is ruining markets for U. S. cotton.

Price supports assure American growers 32½ cents a pound for standard upland cotton. (More expensive extra long staple cotton is supported under a separate program.) The government maintains this price by buying and stockpiling the cotton that farmers can't sell at this price on the commercial market. In an attempt to hold down production—and theoretically boost prices—the government limits the number of acres farmers can plant in cotton. That figure is currently 16 million acres, the legal minimum. The result is that many farmers have been cut so low they are giving up cotton farming while larger farms are deprived of large enough allotments to put cost-cutting mechanical equipment to full use.

Despite such controls and the network of subsidies, the U. S. will fail to sell about one million bales of this year's production, the Agriculture Department estimates. Reason: Prices are simply too high

to compete with synthetic fibers and foreign cotton.

This loss of sales both hurts the U. S. farmer and reduces the amount of dollars the country could earn in foreign trade. Failure to earn export dollars makes it all the more difficult for the country to protect the value of the dollar by cutting its balance of payments ills.

What's more, the loss of markets and sales is unnecessary.

Cotton growers in the Mississippi River delta area and the southwestern cotton belt ranging from Texas to California insist they could more than compete in price with foreign cotton on the world market if they could plant as much land as they wanted. The National Cotton Council's Dr. Horne agrees, assuming producers would have enough assurance of freedom from future government restrictions to put advanced technology to full use. "We can really outstrip the rest of the world in technology," he says.

Foreigners take markets

Instead of permitting U. S. competition in the world market, however, present federal policy, in effect, encourages foreign production. Reductions in U. S. acreage allotments are almost invariably matched by increases in land planted to cotton by Mexico, the United Arab Republic, and other large producers.

U. S. cotton men consider the present export subsidy as better than nothing but "containing the seeds of its own destruction," in Dr. Horne's words.

Among other faults, the U. S. subsidy for export sales simply puts a price umbrella over world prices. Foreign cotton producers price their fiber enough under the U. S.-pegged price to sell all their supplies. The U. S. is left to supply whatever world-wide needs—if any—remain. Colombia has found this U. S. practice so lucrative that it has built up its own cotton industry into a net exporter instead of buying American cotton.

Ironically, the program designed to aid cotton farmers actually helps their most vigorous competitors—producers of man-made fibers—to an even greater extent.

"If the chemical companies that make synthetic fibers ever give an award for man-of-the-year in their industry," a federal textile expert quips wryly, "the first recipient should be the individual who sets U. S. cotton price policy."

High support prices on U. S. cot-

ton have sped construction of production facilities for synthetics. Unique properties of the miracle fibers mean they would undoubtedly have been developed and put to use anyway. But the high price supports for cotton have shielded the synthetics from price competition, much as World War II protected development of the synthetic rubber industry. "The cotton program removes the risk for the makers of synthetics," Mr. Paarlberg explained to NATION'S BUSINESS.

Within the past year or two such big manufacturers as Cannon Mills and Erwin Mills, a subsidiary of Burlington Industries, both traditional 100 per cent users of cotton, have switched heavily into synthetics.

"I have been in the cotton textile industry for 52 years," C. A. Cannon, board chairman of Cannon Mills, told a House Agriculture Committee studying cotton's troubles. "It has been our intention to use cotton, and that is what our mills were built for. I have to stand here today before you and say we are substituting rayon for cotton in the tens of thousands of bales in our plant, making them into fabrics or mixing them with cotton to go into other fabrics, purely on account of the price. We are forced to do it."

Dr. Horne estimates the U. S. cotton industry has lost a market for 1.5 million bales to competition here and abroad between the end of 1960 and the middle of 1963.

A significant indicator of how the federal farm program denies sales to cotton farmers is the number of spindles in the American textile industry producing 100 per cent cotton yarn. As recently as 1960, approximately 91 per cent of all spindle-hours (one spindle running one hour) went to make 100 per cent cotton yarn. The share had dropped to 84 per cent by last August.

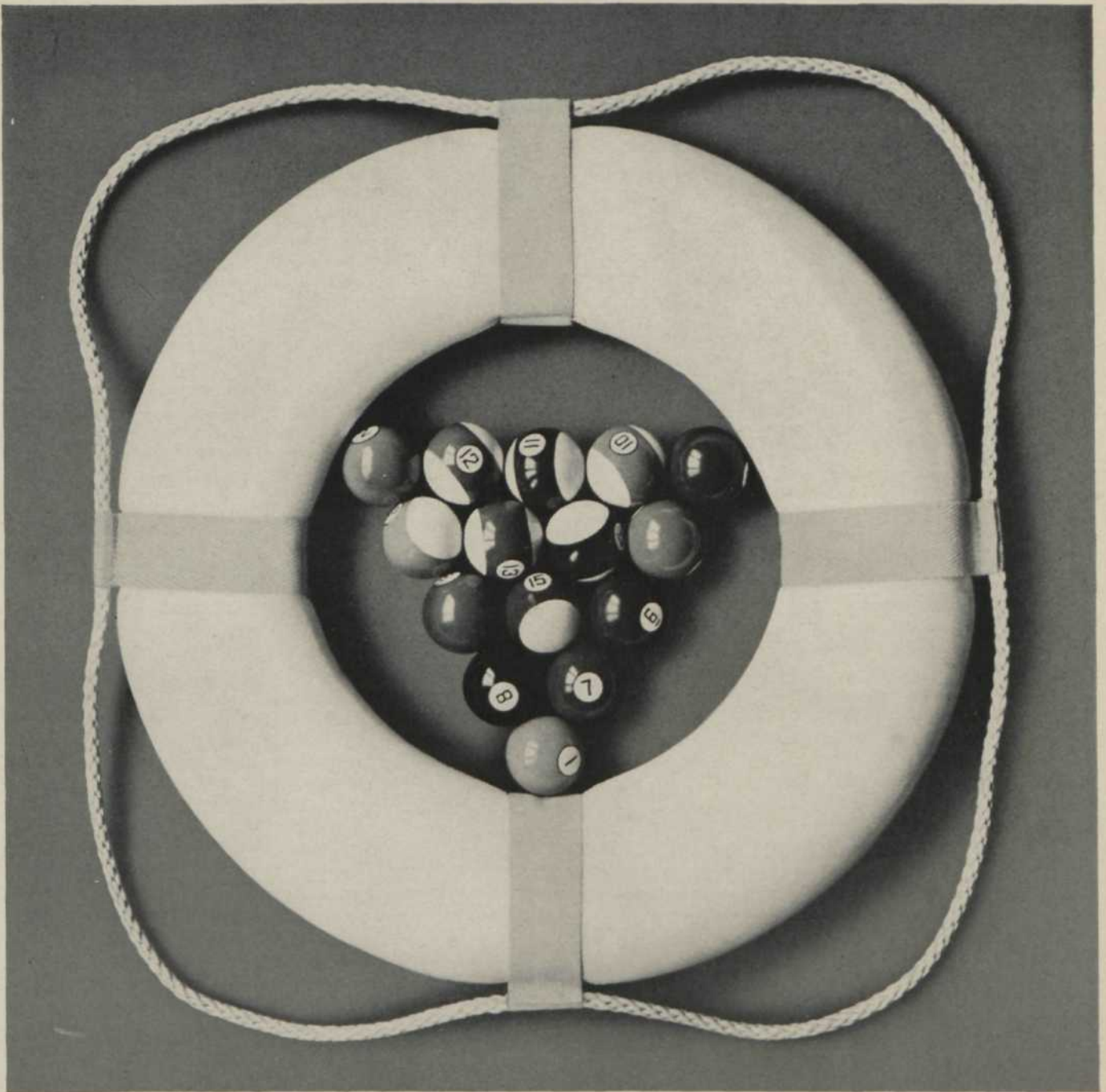
"The thing that really gives us old-timers in the cotton industry somewhat of a feeling of frustration," says Caffey Robertson, a cotton merchandiser from Memphis, "is that we don't think American cotton was in bad shape up until 1929 when the U. S. government saw fit to come in."

Tobacco problems varied

Tobacco's current ills demonstrate how supports cause U. S. farmers to lose sales by lowering quality.

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MEMBERS FDIC

FARM SUBSIDIES

continued

tobacco a much-sought commodity in foreign as well as domestic markets over the years. So says Raymond Ioanes, administrator of the Agriculture Department's Foreign Agriculture Service. The U. S. quality advantage over foreign tobaccos, however, is slipping and export sales are suffering as a consequence.

"We must pay attention to the question of the quality of our tobacco," Mr. Ioanes warned the past session of Congress. In Southern Rhodesia tanned, hardy migrants from Britain, South Africa, and even the U. S. South are spending additional amounts of money to boost the quality of their tobacco and cut into U. S. sales in Europe and Japan.

"Any additional narrowing in the quality gap between U. S. and foreign flue-cured tobacco entering world trade," the Department itself declared, "would further impair the competitive position of U. S. leaf."

U. S. tobacco exports are expected to rise somewhat this year but not nearly as fast as those of competitors.

"The U. S. share of the world market is . . . declining," warned the Agriculture Department's Chief Economist, Willard Cochrane, in mid-November, "since world tobacco trade is growing more rapidly than U. S. exports."

High price supports are encouraging large production of mediocre leaf.

The amount of money a farmer gets from price supports depends almost wholly on quantity, little on high quality. So more and more farmers are deciding to "make" as many pounds of tobacco on their government-restricted acreage as possible, regardless of quality. (In its attempt to bolster price by cutting production, the government has sliced the average acreage allotment for flue-cured tobacco to 3.5 acres a farm, compared with 6.1 acres in 1947, one of the first normal years after World War II.)

A favorite production-boosting method in flue-cured tobacco fields—the bulk of U. S. tobacco—is spraying with chemicals which curb growth of suckers or shoots on the tobacco stalk. This process cuts costs greatly by reducing the need for hand labor. But, more importantly, the chemicals lower the quality of the harvested tobacco. Result: Fewer buyers want

U. S. tobacco and sales and farmers are suffering.

"Wherever you have a support program, you automatically reduce quality," asserts Mr. Paarlberg.

How wheat is affected

Wheat's troubles would be much less if the price support program didn't encourage growth of lower-quality grain.

High price supports have made it economical for farmers in marginal production areas to profit from growing lower grades of wheat already in surplus. Better quality wheat such as North Dakota's hard spring wheat, on the other hand, has little trouble finding buyers either here or abroad. Durum wheat used for macaroni and spaghetti has similar high demand and is sometimes in short supply throughout the world. But, while

How do states and cities feel about handouts of federal tax funds? A Senate subcommittee polled local officials to find out. Report of results is on page 36

the price supports encourage production of lower grade wheat, they discourage production of the easy-selling, high-quality varieties by denying farmers extra acreage above tight federal allotments to grow this grain.

In reaction to such unrealistic controls, wheat farmers voted down even higher price supports coupled with tight production restraints last spring. Experts believe the average price of wheat will fall later this year as a result. But they'll be watching for evidence of whether the greater freedom for farmers will point toward improvements benefiting farmers.

Expanded growth of wheat in marginal, very dry areas better adapted to grazing emphasizes how the farm program hurts farmers by distorting land use patterns. Distortions often affect growers who might think they have nothing di-

rectly to do with a commodity in trouble.

This is because acreage restrictions on one crop send farmers automatically hunting for another crop they can grow on the rest of their land, thus sometimes weakening prices for the secondary crop.

An Arkansas farmer of 350 acres of cotton land in the Mississippi delta region demonstrates what can happen. Government allotments restrict him to planting only 70 acres in cotton. If the government would let him, he would plant up to about 245 acres in cotton, he says. Instead, he plants everything over 70 acres in soybeans. Demand for soybeans is relatively strong now, but other farmers often turn to other crops less in demand, thus depressing prices.

Agriculture Secretary Freeman and his aides argue vigorously that the price support programs are essential for preservation of the family farm, an institution most politicians venerate. But continued high price supports coupled with acreage allotments will only reduce the amount of land farmers can plant in crops. This would speed the trend of departure from the farms already under way.

High price supports further add growing burdens to taxpayers—including farmers. Over \$7 billion of taxpayers' money which could otherwise go into business-expanding investments or purchases was tied up in federal stocks of surplus commodities on August 31, the end of the government's latest crop year.

The faster the spending grows, the sooner the public will rebel, many politicians believe. And the deeper the high price support program cuts into markets for U. S. commodities, the sooner the farmers may demand changes. Just when this will occur remains murky. A bunching of deep problems for key commodities, as is happening now in cotton, could touch off demands for quick action.

Mr. Paarlberg, for one, predicts the change will come before long, although the method of transition from the present damaging programs will take time.

"I think these changes are already under way," he says in clipped midwestern tones. "They cannot proceed rapidly. We cannot suddenly reinstate free markets after 30 years of shielding agriculture from the rough-and-tumble of competition. The transition will have to be slow, expensive, and no doubt difficult for some." **END**

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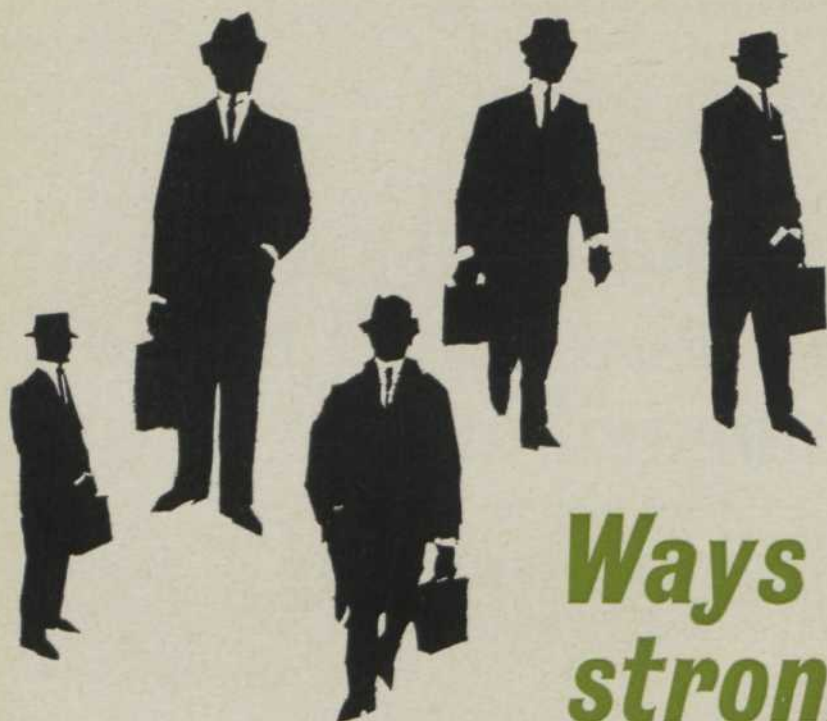
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POWERFUL NEW FORCES are changing the complexion of sales organizations.

Among these forces are growing product diversification, the competitive stress on new products and the development of large, widely dispersed dealer organizations with whose activities manufacturers' and wholesalers' field operations must be coordinated.

Most influential of all is the impact of top management's adoption of the marketing concept. Besides stimulating an increase in the number and the average size of sales offices, management's concern with creative market development, service-based selling, and local competitive situations is enlarging the activities assigned to the field organization.

As the task of managing sales grows bigger and more complex, it is adding to the difficulty of developing sales personnel and arranging lines of authority and responsibility.

This article is adapted from a book to be published this month, "How to Tailor Your Sales Organization to Your Markets," by Merrill DeVoe. © 1964 by Prentice-Hall, Inc., Englewood Cliffs, N. J. Mr. DeVoe is professor of marketing in the University of Kentucky's College of Commerce.

Salesmen are being given assignments that call for much more than going after orders.

And sales managers' duties are coming to focus less on personal selling and more on developing and supervising salesmen, operating an office, and representing their company on a local basis.

Says one top executive: "Today's field sales manager is becoming more and more the company head in his geographical area of operation."

Whether the men who run your sales forces are to be managers in fact or merely in title is a basic decision. In approaching it, you can get some guidance by considering the types of decisions which other companies frequently permit local managers to make:

1. Deciding local selling strategy. When you allow the head of a branch to devise a local selling plan, you grant him the freedom to choose the salesmen, advertising, promotion, staff specialists, headquarters assistance, or other resources that he will employ in developing sales. This usually includes the authority to select methods of covering the area, to assign salesmen to tasks, and to route their calls.
2. Deciding which sales employees to hire. Field managers generally are permitted to hire and fire salesmen and other personnel. But this authority often does not extend to increasing the size of the force.
3. Deciding operating problems—setting salesmen's

quotas, determining and approving subordinates' expense allowances, determining the amount and kinds of salesmen's compensation, deciding which products are to be pushed, disciplining salesmen, recommending promotions, assigning trainees, granting special discounts or allowances, settling customer complaints, deciding on applications for credit, and appointing and terminating dealers and distributors.

The further you move toward customer-mindedness, the more of these decisions the managers of your branches would be permitted to make.

Planning and analysis

In addition, sales managers generally have a number of responsibilities that pertain essentially to planning and analysis.

The ones most frequently assigned are suggested by findings in a study by Robert N. Carpenter of the information and surveys staff of the American Management Association. The source of his information was the collection of field manager job descriptions on file in the AMA library.

He found that the first-line sales manager generally:

Provides management with immediate forecasts and long-range plans for the achievement of budget and quota objectives.

Plans and conducts regular sales meetings; makes assignments in advance of such meetings.

Plans for the general development and promotability of his salesmen.

Takes frequent inventory of his salesmen's assets and liabilities in order to tailor initial training efforts to their needs.

Carefully plans how he'll spend his own time. (One company specified that the field sales manager must plan his personal activities 90 days in advance and submit a quarterly itinerary to headquarters.)

Plans district or regional direct mail campaigns.

Assists management in developing sales forecasts.

Recommends sales policies to management.

Plans sales territories to be assigned to his salesmen.

Plans to achieve a net profit of a certain per cent on sales.

Requests and uses available services of headquarters sales staff personnel as needed.

Analyzes markets to identify new user or new item prospects in his assigned district or region.

Plans the over-all activity of his salesmen and sales supervisors in the district or region.

Selling vs. managing

Should your sales managers sell?

The older, more conservative view is that a field sales manager is basically a high-grade salesman; he'll do O.K. with whatever management responsibilities you assign him if he has exceptional selling ability.

Many students of sales management look at it a different way. Selling and managing are two different jobs, and the more a man is a salesman, the less he is a manager.

To clear the air a bit, think only of field sales managers who direct the activities of several sales subordinates. In many companies, branch managers have no men under their supervision and operate as salesmen pure and simple. (The title "manager" is often used by management to confer status or to open doors.) Obviously, there's no point in asking whether or not such managers should sell.

Stated in more realistic terms, the question is: Should sales managers who are generally engaged both in selling and in managing people operate primarily as salesmen or primarily as managers? Should they concentrate their time and energy on efforts to obtain orders or on such managerial activities as developing and supervising sales manpower?

Those who favor using sales managers mainly as salesmen argue that:

Your company is in business to earn a desired profit and may need the current sales volume that a selling manager can produce.

In some territories, your market potential may not be large enough to pay the way of more than a few salesmen and to justify using the full time of the manager as a manager.

Because of economics, you may have to choose between having a field manager exercise close sales supervision part time and having him provide distant supervision full time. Many of your customers may insist upon doing business with a manager.

Local selling problems may be so difficult that only a branch manager can cope with them.

New sales opportunities and new competitive problems may come up from day to day that call for

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SALES TEAM

continued

high selling skill—fast. A sales manager must go through what his salesmen go through on their jobs and face their selling problems if he is to be a real help to them as a coach and trainer.

A manager who does little or no personal selling may not find it easy to gain or maintain the respect of those he supervises.

In spite of these arguments the number of sales managers who sell is steadily declining. For sales executives are learning that when the long view is taken, the management work of field sales managers may be more worth while than their personal additions to sales volume.

Besides detracting from their essential management role, having your local managers sell may prevent them from broadening their vision—and so delay the day when they will be ready for promotion to higher administrative levels.

A similar result may occur if, because of their close customer ties, they continue to see themselves as salesmen rather than as parts of management. If they identify themselves with the field salesmen, they can hardly be expected to serve as the proper kind of communication link between management and the salesmen.

Their value as downward communicators also may be lessened if their selling causes resentment among salesmen who feel they are being deprived of credit for whatever sales the manager may make.

A balancing of the pros and cons is leading many marketing directors to relieve their field sales managers entirely of the responsibility for personal selling.

Others are studying the problem with a view toward achieving a better balance between the field manager's selling duties and his management duties.

Responsibility for training

When you operate field sales offices, you face the problem of deciding the extent to which the responsibility for sales training should be delegated to the field.

Even before the general adoption of the marketing concept, there was general recognition of drawbacks to home office centralization of sales training.

For one thing, it is relatively costly, as compared with concentrating the function in the field.

It is also difficult for top execu-

tives to work out good relations between the trainers and the line sales executives that will minimize squabbles and disruption of line activities.

The educational and managerial shortcomings of highly centralized sales training have been brought into sharper focus as market-conscious managements have moved toward localized customer development.

Training at the branch can focus on the special problems it faces in selling against local competitors and in selling to its particular customers.

Moreover, such an arrangement couples managerial responsibility for training with managerial responsibility for employee performance—which may help to make the training more productive. The manager can lead his men and through personal appraisals of their work detect training needs and take prompt corrective action.

One problem is the inability of a branch manager to devote as much time to sales training as might be desired; he may have too much other work to do. Recognizing this, while still wishing to stress branch-level training, many companies relieve their field managers of sales training chores by assigning them to line assistants or staff trainers in the branch, or by having home office sales trainers visit the branch and participate in its training program.

Keep managers informed

Whatever your decisions, you must explain them clearly to your sales managers. They must know what is expected of them.

You should not stop with a description of position duties, position responsibilities, and location of the position in the organization structure.

You should also specify the scope of the manager's decision-making authority and indicate clearly what his superiors expect of him.

Depending upon how much of a human relationist you are, you might find it desirable to describe some of your field managers' responsibilities in psychological terms—indicating the job demands on the manager or the types of behavior with which a manager must cope as he supervises salesmen or deals with customers.

You will insure a high degree of utility in your field manager position descriptions if you make them include, as a minimum:

The kinds of problems and ac-

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SALES TEAM

continued

tions for which the manager has authority to make decisions.

His responsibilities for planning and analysis.

His responsibilities for managerial control.

His responsibility for profit, sales, manpower development, or other results.

His location in the management hierarchy and his working relationships, including the person to whom he is directly responsible, the persons who are responsible to him,

colleagues with whom he has horizontal relationships, and the next position to which he may be promotable.

The nature of the relationships he is to have with customers and the extent to which his responsibilities are to be specialized by user or type of buyer.

The uniqueness of his position, as contrasted with other positions of like title, with respect to the size and location of his territory, the nature of his market and its potential, the products to which his responsibilities relate and the extent to which they are to be specialized by product line. **END**

NEW SALES SURGE *continued from page 35*

market research and analysis."

Mr. Adams' optimism about the prospect for the auto market is buoyed by the rising number of multiple-car households in the country. The number, he says, is accelerating with expanding income and an increase in the number of teenagers.

"Currently," he reports, "about one out of five households owns more than one car, and this will increase rapidly as millions of young people attain driving age in 1964."

But even expanding markets are no assurance of success. Every product faces a fiercely competitive market test and, as the life cycle of products continues to shorten, the economics of this process become more formidable.

"It requires a great deal more time, effort and money to develop a new product today," says Edward J. Green, vice president for planning and marketing, Westinghouse Air Brake Co.

"It is much more difficult, dangerous and expensive to introduce the product . . . If successfully launched, the sales rise, crest and fall more rapidly . . . and unit profits start to decline before reaching maximum sales volume. These changes in the life cycle of the product have caused shrinking profit margins."

Mr. Green, as did others, underscores the need for increased effectiveness in serving customers through improved product design and performance, higher value, lower cost and faster delivery.

To make all of this possible, he says, business must apply better methods of management to the entire marketing and distribution

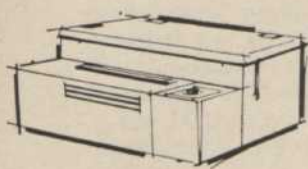
function. Mr. Green observes that "most business customers have made significant changes in their buying habits and operational practices. They used to carry much larger inventories—now they expect the distributor or manufacturer to carry the inventory and provide more prompt delivery and better service."

"There has been," he continues, "a great increase in professional purchasing based on tighter performance specs and better value analysis. The buying influences are more complex. The buyer and user may be thousands of miles apart—with both participating in the purchasing decision. This frequently means more and better advertising and technical literature, more travel and telephone expense, competitive demonstrations and group presentations."

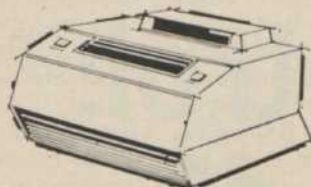
"There is a growing trend toward the systems approach with emphasis on solving the customer's problems rather than simply selling hardware. This all requires more intelligent field representatives with better education, training, direction and equipment."

Thus, the stage appears to be set for a blue ribbon sales performance by business in 1964. But the blue ribbon has some large ifs tied to it. Among them: the need for skillful planning, adroit market research, promotion aimed at the most promising segment of the total buying population, efficient selection, training, deployment and compensation of sales personnel, awareness of changing tastes and—finally—a quality product or service of compelling appeal. **END**

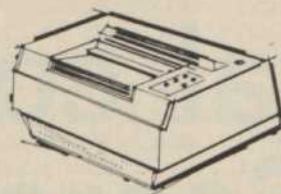
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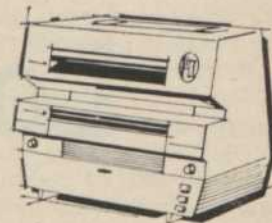
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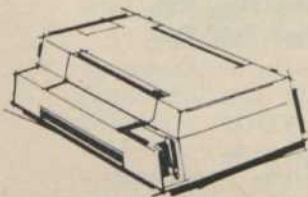
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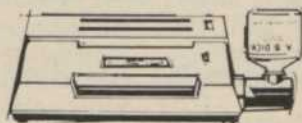
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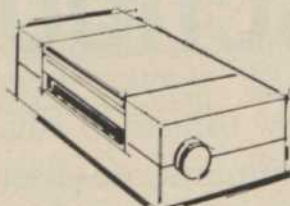
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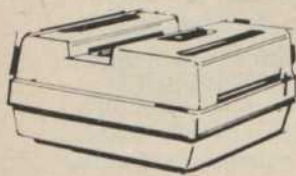
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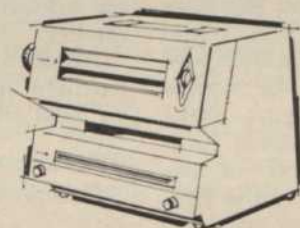
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Local control: Secret of schools' success

How threats to education can be handled by your community is discussed by Mrs. Fred A. Radke, president of National School Boards Association

THE BASIS for progress in American education is local control.

This is the view of Mrs. Fred A. Radke, president of the National School Boards Association.

Mrs. Radke believes local control of education is being challenged today as never before. Such threats stem from a variety of sources. One which particularly concerns her is the demand by teachers' organizations to share in the responsibility for formulating educational policy. Teachers' unions are asking for collective bargaining rights and teachers' organizations affiliated with the National Education Association are asking for professional negotiations to see that their demands are heard. Both organizations threaten reprisals if their demands are not met.

School boards, Mrs. Radke points out, have the responsibility of policy determination as prescribed by law and it is an obligation which cannot be delegated to others.

You can expect to hear considerably more of this controversy in the months ahead.

Mother of three, a daughter and two sons, Mrs. Radke lives in Port Angeles, Wash., where she is president of the local school board. She has been a member since 1948 and is a past president of the Washington State School Directors Association. She has been a member of the Washington state board of education and the state board for

vocational education since 1955.

A delegate to the White House Conference on Education, she later served as delegate to the White House Conference on Children and Youth. More recently she was a member of the President's Panel of Consultants on Vocational Education and is a member of the Governor's Committee on the Employment of Youth in her state.

During the past two years Mrs. Radke has visited hundreds of schools throughout the United States. Recently she toured schools in Europe.

Mrs. Radke, how do you assess the job being done by American schools today?

I think we can be very proud of our progress in education. Our citizens have provided—and are providing—more education for more children than any nation in history.

Many of the nation's schools provide an excellent program.

Despite this fact we cannot be complacent. About one third of our youth do not graduate from high school. Some do not even graduate from the eighth grade. At a time when every phase of our lives has grown more complex these young people will have great difficulty in obtaining employment and in leading useful lives.

What are some of the problems you foresee?

One of great importance is providing the necessary funds to operate educational programs of high quality.

Another involves pressures by teachers' organizations which threaten local control of education.

Will you explain?

One pressure that local boards of



education face stems from proposals of teachers' organizations, as represented by the National Education Association and the American Federation of Teachers.

The NEA advocates professional negotiations and the use of sanctions when an impasse is reached. The teachers' unions advocate collective bargaining and the use of strikes in certain impasse situations. We are opposed to these approaches.

What do you feel is their objective?

They want to have a voice in the determination of salaries, working conditions and other educational policies.

Here is a part of the NEA policy statement: "The National Education Association insists on the right of professional associations, through democratically selected representatives, using professional channels, to participate with boards of education in the determination of policies of common concern, including salaries and other conditions of professional service."

This is where we part company. Although the National School Boards Association believes that local school boards should exert great

effort to take into consideration the needs and requests of their employees, we believe that the final determination of policy is the legal responsibility of the board of education and this is something we cannot share with other groups.

You see this as a threat to local or citizen control of education?

Yes. As soon as school boards start sharing this responsibility for the determination of policies and goals, then it seems to me that the people of the community have in a very real sense lost their right to determine what goes on in a local school district.

What solution do you suggest?

We believe that school boards can do a great deal to eliminate difficulties that arise between boards and superintendents and teachers by developing better communication between these groups and by adopting written policies that cover the subjects which are of great interest and concern to teachers.

What other problems do you foresee?

Money is always a problem. Unless you have sufficient funds to

support your schools properly you can't attract the good teachers you must have if your program is to meet today's needs.

I would say that it is equally important to have a good school board. It must be one which is aware of responsibilities and their importance, willing to give time and to make the effort to understand school needs and to establish two-way communication between the school and the community.

How do you suggest communities get the money they need for education?

This is a difficult question. Both the wealth and the tax structure vary greatly among the 50 states.

In my state a good share of the money to support schools comes from state sources.

In this case local school board members, the state school boards association and other educational groups need to establish good communication with the state legislature so that legislators thoroughly understand school needs.

Probably even more fundamental is having the local community understand these needs—to know how

Mrs. Radke heads the Port Angeles, Wash., school board, shown with her

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SCHOOLS' SUCCESS

continued

school money is used and its relationship to the amount and quality of the services the school is able to offer.

So good communication is certainly an underlying means of getting good financing.

Does the proposal that the federal government provide funds for teacher salaries and construction offer any particular possibilities for solving money problems?

Many people seem to believe so. In many cases I think this belief is based on the opinion that this is one means of equalizing educational opportunities among the various states.

But the National School Boards Association opposes general federal aid.

Why is that?

The main reason is the belief that federal aid leads to federal control. Local control of education is something the American people have believed in very strongly for more than 300 years. We believe in it because we want the opportunity, through our local boards of education, to determine what and how our children shall be taught and who shall teach them.

Why do you feel that local control is better than federal control?

For several reasons. First of all, local control of schools—just as local control of government—is one of the fundamental concepts on which our whole form of government is based. If people at the local level are unwilling to assume their responsibility, then it seems to me that this leads to the breakdown of our whole concept of democratic government.

Those of us who do believe strongly in local control of schools and government certainly have an obligation to see that we meet the needs of this day and age, which are different from those at any former time.

As our whole way of life grows more complex I think local control is being challenged as never before and we must be very sure that local boards of education are serving effectively, that they are meeting the full measure of their responsibility to the children they serve. Beyond that, I think citizens have an obligation to understand the broad needs of our nation.

How can a citizen best judge whether his local school system is a good one?

Attracting and holding good teachers is one of the most important measures of a good educational program. If your district is doing this, boards of education can certainly tell. So can parents. If you are scraping the bottom of the barrel and hunting very hard for applications, this is a good sign that your district is not doing a really good job.

Is expenditure per pupil a good measure of effectiveness?

It is one measure, although the cost of living varies enough throughout the United States so that I don't think that this alone is a measure of the excellence of your program. Such statistics can be misleading. The great range which exists is important. Many districts spend more than \$1,000 per pupil. Some spend less than \$300. Within this wide range you know there are many differences in the programs.

In general, though, it is a measure that can be used if you keep in mind its limitations.

Does the drop-out problem have any relation to how much money is spent for education?

Yes, I am sure that it does.

While almost all areas face the drop-out problem, it is most acute in large cities. Here per pupil expenditures actually might be higher than in some other areas; yet, because schools are dealing with large groups of young people whom we describe as culturally deprived, the program must meet their special needs if it is to be successful. Such education is expensive.

This class of student is growing rapidly. The superintendents from the 14 largest cities say that a few years ago one of every 10 could be classified as culturally deprived. Today it is one out of three.

What other measures of good schools would you recommend?

Many things mark good schools. In my own school district we pay a great deal of attention to how many of our young people go on to higher education. We have a community college, so we watch to see how many go there, how many go on to a university. After they have gone, we watch their performance record, how well they do.

In addition, while we know that national achievement tests don't provide us with a complete answer, we do test carefully at regular in-

(continued on page 75)

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MORE THAN \$1 BILLION IN NEW CONSTRUCTION FORECAST IN 1964 FOR 4 SOUTHEASTERN STATES

*Commercial and Other Non-Residential Construction Will
Pass \$1 Billion Mark for Alabama, Georgia, Florida and Mississippi*

Continuation in 1964 of burgeoning construction in Alabama, Georgia, Florida and Mississippi is predicted in a special analysis of the 4-state area by F. W. Dodge Company. Construction contracts for the year will total for these states more than a billion dollars in commercial, manufacturing, educational and science, hospital and institutional, social and recreational and other non-residential categories, according to the forecast.



Other hundreds of millions will flow into the economy of the 4-state area from construction in other classifications not included in the billion-dollar-plus forecast. Among the classifications not included in the total are residential and public works.

Major expenditures in the rapidly growing region also continue to be made by The Southern Company system to increase the capacity of its extensive electric power network.

During the period 1953-63, inclusive, the affiliated companies—Alabama, Georgia, Gulf and Mississippi Power Companies and Southern Electric Generating Company—have spent nearly one and one-half billion dollars for generating plants and transmission and distribution facilities. An additional \$600 million expansion program is planned for the period 1964-66.

Expenditures such as these signalize the opportunities to be found in the area.

Significant and continuing growth in this four-state area is shown by these pertinent comparisons.

Rate of Gain 1958-1963*	4-State Area	United States
Nonfarm Employment	15.0%	5.4%
Manufacturing Employment .	13.7%	7.1%
Nonmanufacturing Employment	15.4%	4.7%

SOURCES: STATE LABOR DEPARTMENTS, SEASONAL ADJUSTMENT BY
FEDERAL RESERVE BANK OF ATLANTA, GEORGIA.

*FIRST 10 MONTHS OF EACH YEAR

*The last half of the twentieth century
belongs to the south.*

THE SOUTHERN COMPANY



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Alabama Power Company.....Birmingham, Alabama
Georgia Power Company.....Atlanta, Georgia
Gulf Power Company.....Pensacola, Florida
Mississippi Power Company.....Gulfport, Mississippi
Southern Electric Generating Co....Birmingham, Alabama
Southern Services, Inc.....Birmingham, Alabama

SCHOOLS' SUCCESS

continued

tervals to determine the effectiveness of our program.

What other innovations have you made in your school district that you feel might be useful for other school systems?

We work very hard at good school-community relations. I think that is the secret of success for any school program. If you can succeed in interesting the parents and citizens of your community in getting into your schools and following the programs quite carefully, in being informed as to what sort of a program their children have, what sort of progress these children are making, you will have citizen support.

Do you feel there is need for further broadening of educational opportunity?

Indeed. Many people feel that providing equal educational opportunity means providing the same program for each child.

We feel that you are providing a child with equal educational opportunities when you provide him with a program which challenges his abilities.

In other words, equality is not a question of providing standards; it is a question of helping each child develop to the fullest of his capabilities—whatever they are.

This is something that cannot be standardized from a central government office or bureau; it has to be determined on a local basis.

If you really gear your program to the needs of each child, then you are going to do a good job of providing for those who are handicapped, the slow learners, those of average ability and your gifted.

For many years the gifted were neglected. Now in many better schools we are providing them with opportunities to move at a very rapid pace. We are discovering that young people, even in grade school, can do many things that we thought they couldn't do until later years.

In the better schools, really, you have now a whole new concept of learning. For example, we are teaching algebra and geometry in the very beginning grades, putting these subjects in terms that the children can understand. This is your new mathematics.

You have recently returned from Europe. What are your impressions?

What struck me in all six coun-

tries I visited was that all are wrestling with some of the same problems we have. For example, automation is a factor of life that requires more education. We have our drop-out problems—people for whom employment is not easily available—and this is becoming increasingly true in Europe.

What are Europeans doing about this?

First of all they are seeking ways to keep youngsters in school longer. It has long been a tradition in Europe to screen their students at a very early age—in some cases as early as the fourth year—to sort out those who will go into higher education. An academic program was provided for the talented, some went to vocational schools—many just dropped out.

To solve this they are trying to delay the final decision on career training and to reduce the drop-out rate they're stressing vocational education.

We can learn from this. We need a great deal more vocational training here. We need particularly to update our programs and to enlarge the offerings and to abolish some.

FEDERAL TIES *continued from page 37*

former governor of Pennsylvania who is now chairman of the President's Committee on Equal Opportunity in Housing:

"Does the program serve a national purpose?"

"Will failure to provide such a grant-in-aid program on a national basis and the development of programs throughout the states on a spotty basis significantly affect the national interest?"

"Are there compelling reasons to finance the program through federal grants-in-aid—either financial reasons because of magnitude and tax capacity or programmatic needs for national coverage?"

"Does the program, when it reaches the state, overlap another federal program?"

Although a majority of the respondents say that they want additional programs or extensions of current programs, more than one third desire no new federal functions. This cautious approach is expressed by a New York state legislator:

"As a matter of prudent government, new federal grant programs should be instituted only when need has been clearly demonstrated—through failure of state or local action on an urgent need, or lack of

We need especially to key our training to job opportunities that are available.

The whole job picture here, as in other countries, is changing rapidly. Young people in school now can expect, within their lifetimes, to train and retrain anywhere from three, four, up to seven or eight times.

You think Uncle Sam should spend more for this training?

I think it is imperative that more money be provided for vocational education.

The decisions as to how funds should be spent for vocational programs should be left largely to the states and communities. There should be a great deal of local freedom to determine how to use the money to best advantage for the national and local good. **END**

REPRINTS of "Local Control: Secret of Schools' Success" may be obtained for 30 cents a copy, \$14 per 100 or \$120 per 1,000 postpaid from *Nation's Business*, 1615 H St., N. W., Washington, D. C., 20006. Please enclose remittance with order.

fiscal ability to meet it, or where it would be indisputably in the national interest to foster a social or economic change."

Balance is upset

The present system of federal distribution of tax money upsets the balance in emphasis given to state and local programs of government services, officials answering the survey agree by a nearly two to one margin. They feel that there is a tendency to give priority to those programs which receive substantial federal support. Most urge less federal administrative control as a means of correcting this imbalance.

"Greater restrictions, including a clear demonstration by local governments that they cannot meet the basic needs of their communities with their own resources," are suggested by Attorney General A. Pratt Kesler of Utah.

Another cause of imbalance at the local level is brought out by a city manager:

"The federal and state levels impose taxes necessary to pay for the programs they choose to conduct. The states, with broad variations, restrict the authority of their cities to seek additional revenues with which to meet the increased costs of

FEDERAL TIES

continued

the services demanded by their people. Too often, these additional revenues are subject to local referendums.

"Resenting taxes in total, the people are helpless to get at the federal and state governments, but they have ready access to their local city government. The local revenues go 'boom.' The cities cannot raise locally the money needed to meet local needs. The federal government can, and does, so the cities must rely more and more on federal grants-in-aid."

S. David Adler, superintendent of schools of Newton, N. J., brings up another problem:

"The great pity of the National Defense Education Act and similar grants-in-aid is that the well administered school district which already has realized, through local effort, a fairly satisfactory expenditure level and a fairly satisfactory facilities base can provide the required secretarial services and administrative time requirements which are a prerequisite, enabling them to take advantage of the grants-in-aid."

"The poorly administered, inadequately equipped districts do not or cannot take advantage of this situation. We believe you will find that it is the wealthier, better organized, better equipped and better housed school districts which have received by far the bulk of all federal aid."

A majority of those responding believe that federal programs should not be used to serve a greater equalizing function between low income and high income states than they do at present. One county official says: "There should be a more equitable distribution so that the states which pay most to the federal government get more in return."

Mayor Henry W. Maier of Milwaukee comments:

"States appear to be overequalized already. Low income states already have the advantage of lower wage and materials costs for given amounts of aid. . . . To further emphasize low income areas in distributing such aids merely gives a double equalizing effect to aid programs."

Addressing themselves to other weaknesses in the federal system, some officials offer an insight into their problems. One state legislator asks:

"What happens to the federal money if the state chooses not to

match the funds? If it would cut federal expenditures—fine. But if it would only result in other states getting more, no state can afford to refuse."

The governor of an eastern state says:

"One important problem is the seeming difficulty of federal officials to formulate clear programs, directives and procedures. This makes it difficult for state and local officials, as well as the public at large, to respond adequately to these programs."

"The federal government will be able to cope with these problems most effectively if it returns more responsibility to the states for administration of domestic programs. In view of the role of the federal government as a tax collector, a corresponding amount of tax money or tax capacity would also have to be returned to the states."

Return taxes to states

On this question—whether the federal government should relinquish certain taxes to the states in return for the states assuming financial responsibility for functions now federally carried out or financially aided—the vote was two to one in favor. As one school board official puts it:

"If the state and local governments could be relieved of the federal tax burden, they could do many of these things themselves."

This apparently widespread desire of state and local officials to solve their own problems is also evident in their consideration of the growing difficulties of metropolitan areas. A majority—though a slight one—of those surveyed opposes establishment of a federal department of urban affairs. Expressing his opposition, one state budget officer explains: "I doubt that municipal governments are as well equipped to resist federal encroachment as are state governments."

A state legislator objects "because the problems of this department can be expeditiously taken care of under the present setup."

Prof. Daniel J. Elazar of the University of Minnesota Department of Political Science offers this opinion:

"I am opposed to the establishment of an over-all federal department of urban affairs, as such, primarily because urban affairs are so general in nature that they are not subject to meaningful concentration in a single department."

"The fact that the bulk of the population of the United States is

now urban means that 'urban affairs' could easily be considered to include almost all federal domestic activities and even some which are classified with foreign affairs. In effect, then, a department of urban affairs would have to absorb functions now the responsibility of other cabinet departments and become nearly as big as the Department of Defense."

"It would also depart from sound tradition in that it would not be a functional department."

"Furthermore, the diversity of interests within such a department would be so disruptive that it would be politically and administratively uncontrollable."

Doubt is expressed by some of the respondents. A county official says: "Yes and no. No, if a new department increases the control aspect and diminishes the cooperation needed with local government."

The case in favor is stated by Mayor Maier of Milwaukee:

"A federal department of urban affairs can serve as a coordinating agency at the federal level and to administer programs having a peculiarly urban flavor, such as housing, mass transit, and urban development."

Opposition to a full-scale program of federal taxpayer support for the construction and maintenance of mass transportation systems in urban areas was expressed by two out of three of those surveyed. A mayor explains:

"This problem has not been properly analyzed. Don't set up support till we determine need."

Perhaps the apparently widespread conservatism of state and local officials is best indicated by the fact that two out of three surveyed feel that government is becoming too centralized. Gov. Grant Sawyer of Nevada says:

"I believe that the long cherished American ideal of decentralization of government, of local and regional officials providing the necessary government for the citizens of their area, is vital to the survival of American democracy."

"There can be no argument that the federal government in the last 30 years has taken over many of these functions and obligations and has imposed federal standards, often by tying them into grant-in-aid bills, upon many state and local activities. This development has not been without its compensations and in many fields federal agencies, with a higher level of administration, more money and facilities for analysis and research, and a de-



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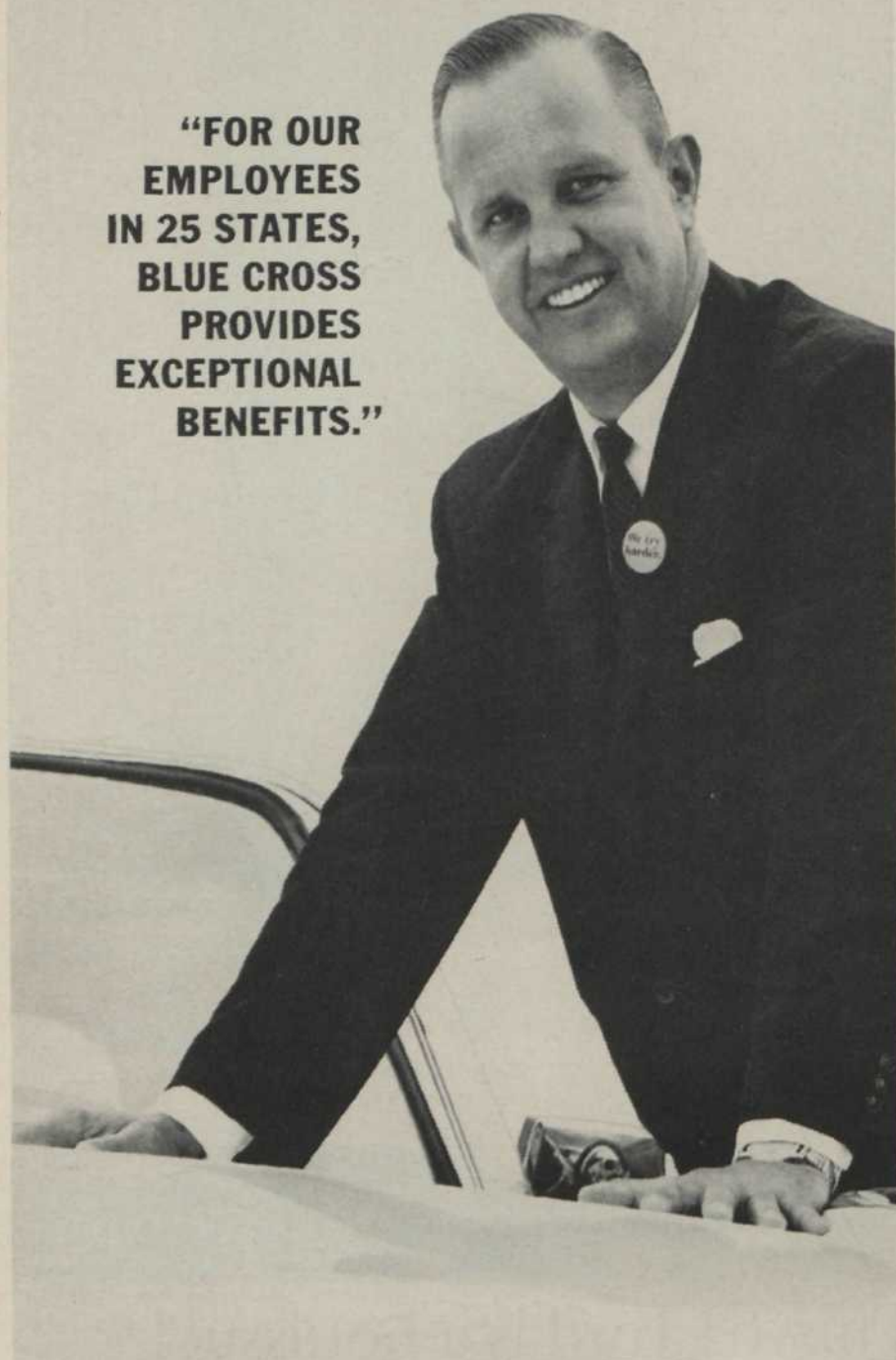
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FEDERAL TIES

continued

veloped body of expertise, are better qualified to exercise functions once done by states and localities.

"However, local and state initiative should not be lost, and an increased awareness of their responsibilities to solve their problems without recourse to Washington is necessary and vital to our political system."

Congressional review

The problem of policing the growing number of federal programs which distribute tax dollars back to state and local governments is receiving increasing attention from Congress and the Administration. Democratic Sen. Edmund S. Muskie of Maine, chairman of the Subcommittee on Intergovernmental Relations, is pressing for passage of his bill to force review by placing a five-year expiration date on such programs. President Johnson also has shown a strong interest in setting up a system for review.

"The grant-in-aid has been a most useful instrument in furthering federal-state-local collaboration," Senator Muskie says. "It has been used to encourage state and local action in carrying out governmental functions in the national interest. It has been designed to meet emergency problems of a critical nature, as well as to provide for long-term cooperative programs."

"Nevertheless, as all of us know, there is a persistent tendency for such programs, once enacted, to go on and on, no matter how useful they may be, without a meaningful or consistent congressional re-examination of their effectiveness as instruments of intergovernmental cooperation."

"The record shows that only 14 such programs have ever been terminated, in spite of numerous efforts in Congress to terminate or redirect particular ones."

"There are two reasons for favoring periodic congressional review," says John A. McMahon, secretary-treasurer and general counsel of the North Carolina Association of County Commissioners, one of the 460 state, county and city officials and university experts surveyed.

"First, circumstances change, and review is necessary to keep programs abreast of change. Sometimes the federal agency people who administer the program refuse to recognize the change, and their action should be reviewed."

"Second, periodic review is necessary to insure that congressional intent is being achieved. For example, in the welfare programs a bureaucratic superstructure of rule and regulation, much of which goes far beyond the intent of Congress, has been erected on simple phrases in the original law."

In responding to the survey, the Virginia Commission on Constitutional Government lists five reasons why review of such programs is needed:

"1. A program that is several years old might have accomplished its objective, and periodic congressional review would permit the earliest possible elimination of such a program.

"2. Some programs that are several years old may have proved ineffective, in which case review would facilitate the elimination or improvement of the ineffective programs.

"3. Some programs might have proved both proper and efficient, in which case review might reveal a need for expanding these programs.

"4. The political makeup of Congress changes at least every two years, and it may well be that programs thought proper by a Congress of a few years ago might be considered improper by a later Congress. In this case, review would allow for the adjustment of federal grant programs to conform with current ideas. We would not be tied to what may be outmoded and discredited methods of some past years.

"5. Finally, and most important, we believe some of the grant programs are not within the powers delegated to the United States by the Constitution, and periodic review would permit the elimination of these programs."

John H. Huss, director of the Michigan Municipal League, points out:

"As conditions change, some programs may be more urgent. We should expect to have occasionally to terminate and concentrate on others more urgent at the time, for example, in times of national emergency. Those programs of an emergency nature should not be permitted to continue simply because of the difficulty of curtailment, for example, of the accelerated public works program. So-called emergency programs, like emergency taxes, have the habit of becoming permanent."

END



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MAKE YOURSELF A BETTER MANAGER

Here are ways you can build your personal skills

ONLY THE INDIVIDUAL can make himself a better manager.

The company and the boss can help, of course, with formal training programs and personal coaching. But in the long run all personal development is just that—personal.

The manager should use his capabilities to make a success of training he has been given and to develop the attitudes and experience that must be truly self-developed because they cannot be taught.

It is useful, then, to look at some of the things the individual executive can do if he wants to become

a better manager. These steps involve him, his attitudes, his actions. He won't need anyone else's approval or cooperation to put them into practice, and the only person he needs to share them with is always available.

One of the most common misconceptions about being an executive is that there is some mystical pattern or mold into which the aspiring manager should cast himself.

This is certainly the first attitude you should discard.

You cannot make the most of your own inborn talents if you try to develop along the lines of any ideal pattern of personality characteristics. There are no set patterns for success.

Consider the most common example of regimented personalities: the military. Certainly if any group has an image of inflexible sameness, it is a military organization.

Yet in "The Professional Soldier," Morris Janowitz points out that most distinguished commanders were men who deviated from the image.

General Douglas MacArthur, for example, is cited as having had a "career based on a flouting of authority." And the description by Marquis Childs of Dwight Eisenhower may come as a shock. As a West Point cadet, according to Mr. Childs, "Eisenhower was a roughneck. He broke the rules just as often as he dared. Law-abiding classmates were shocked at his daring. . . . His conduct was that of the tough boy from the wrong side of the tracks defying the code, and yet managing by his resourcefulness to live with it."

Certainly if such individualists can succeed in a military organization, individualists should also do well in even the most image-conscious business enterprise.

One industrialist who expressed himself on this point is Alfred C. Fuller, founder of the Fuller Brush Company. "Of the first 200 men who achieved executive position in the Fuller Brush Company," he relates, "only three had previously earned as much as \$50 a week in other employment. They were, without exception, little men of no previous attainment, or inadequate background, and almost no training for their jobs. Neither they nor I could 'think big'; we just knew how to work hard."

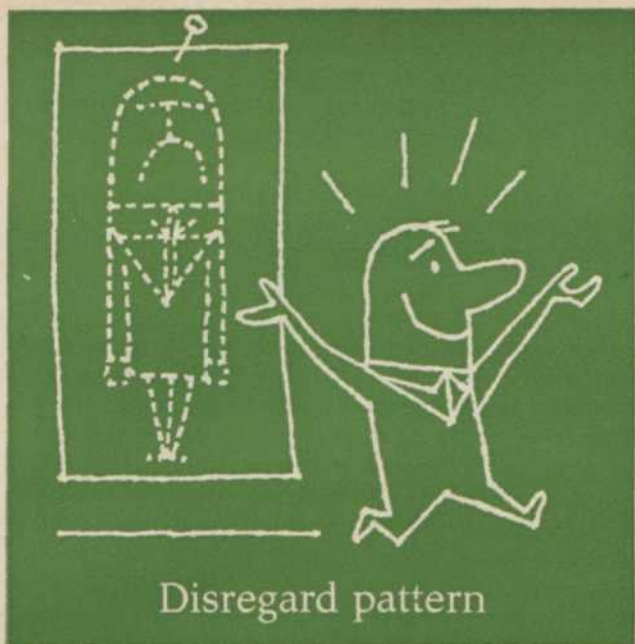
The late Moorhead Wright, of the General Electric Company, not only supported the feeling that the best service a company can give its managers is to allow them to be their own men, but also raised some interesting questions regarding theoretical images for managers:

"If you are going to work toward any sort of ideal personality pattern," he asked, "what, in the face of such a pattern, are you going to say to the managers now in place? Shall we say that they must conform to this ideal pattern or be fired?"

"How," he continued, "do we account for the fact that we now have some managers—good managers—who are tough and rugged personalities, others who are quiet and thoughtful men, others who are aggressive-salesman types, and others just as widely assorted?"

"The truth is," he concluded, "there just isn't any





standard pattern of personality traits that makes a good manager."

Get experience where you are

General Electric interviewed 300 men with managerial responsibilities. An outside research group was used and individuals were guaranteed anonymity.

Asked, "What do you consider the thing that was most important in your development?" 90 per cent of the managers replied that it was their day-to-day work. Only 10 per cent ascribed major importance to educational background, special courses, job rotation.

The outstanding factors were the manner in which the man himself was managed in his daily work, the climate in which he worked, and his relationships with others—particularly his immediate superiors.

One executive, commenting on his experience as preparation for the work he is now doing in the aerospace industry, states the case this way:

"Experience is not always a good teacher, nor is past experience necessarily and universally relevant to the future. On the other hand, it would indeed be strange if, after two decades of studies, experiments, and participation with the military in design, test, evaluation, and use of equipment in the air as well as on the ground, in observations on the use of this equipment in the field, under a full spectrum of conditions from primitive to plush—if at the end of all this I didn't have some firmly held views on what kind of developments are likely to succeed, what kind of developments are likely to fail, and why."

One thing to watch for in going after new experience in your present job is to make sure your assigned work is being done first. Many eager junior executives realize that even limited management authority brings opportunities to develop themselves through different experiences, but they then make the mistake of working so hard to broaden their horizons that they forget to cover the daily bases they are paid to cover. While your present job offers a

base for future growth, you probably won't prosper if the work that is assigned to you isn't being done.

But opportunities to take on new responsibilities and gain the experience that comes from solving problems are all around any manager. They exist in the improved utilization of people; better control of dollars; more efficient and effective use of time; maximum utilization of company facilities. Few companies, or even divisions, departments, or sections of companies, can claim that they are doing the best that can be expected in all of these areas, and anyone looking for opportunities will find plenty of them.

Help your people grow

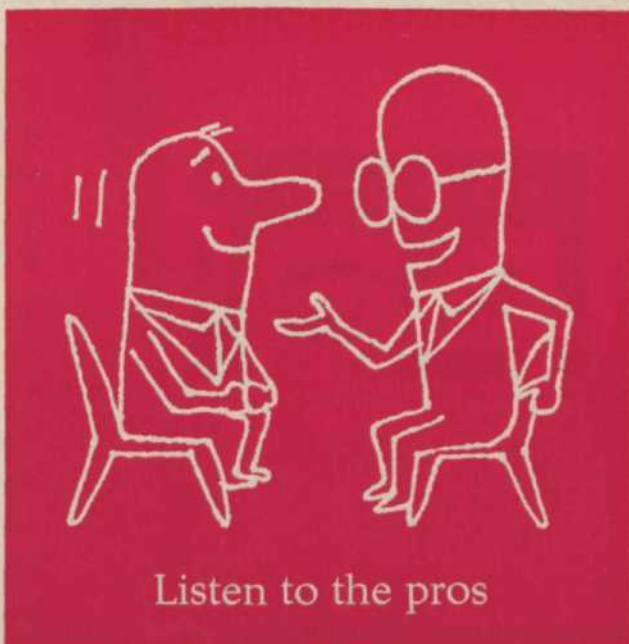
Henry Kaiser says, "I make progress by having people around me who are smarter than I am—and listening to them. And I assume that everyone is smarter about something than I am."

You can become a better manager if you develop others to help you.

Determine the best qualities of each of your people, and then give them the opportunities to maximize those qualities for the benefit of the company. This requires an awareness by the executive of the potential that lies within every man to develop new capabilities when the climate is right.

No executive should limit anyone's opportunities for growth by arbitrarily deciding that this man or that man has the capacity to grow, while someone else does not. All men have the capacity to grow to some degree if encouraged to develop those qualities in which they are initially strong. The development policy should be one of individual attention and encouragement, rather than crystal-ball selection and limitation.

One company that makes a deliberate policy of allowing its people to maximize whatever potentials they may have as individuals is Aerojet-General Corporation. Although called highly unorthodox for its organization and operating methods, the company



BETTER MANAGER

continued

has achieved startling successes in the highly competitive aerospace industry by following such far-out procedures as allowing the scientists who develop new devices to trot them out and attempt to sell them to prospective customers. So far the policy has paid off with more successes than failures, and has come to be the way things are done throughout the company.

Aim for professionalism

"I like pros," one manager emphasizes. "I like to listen to them; watch them in action; work with them; know I have one on the job when there is a major commitment to be met. I don't care how snobbish it sounds, I always prefer to deal with a pro."

Being a professional in a job is more than just doing what you are paid to do. Professionalism is more a matter of the attitudes that manifest themselves in a man's general approach to his work.

One such characteristic is often a man's willingness to stick his neck out either before or to a greater degree than his colleagues when a new proposition is presented.

Another characteristic of the pro is his complete mastery of the job, no matter how complex the problems.

Still another easily observed quality in the real professional is his personal sense of responsibility. He seldom waits for problems to come to him. He goes looking for them, and when he finds one he can get his teeth into, he makes it his own personal problem and doesn't quit until that problem has been licked.

Frank Fischer, of Cresap, McCormick and Paget, cites the opposite of this attitude as the symptom of a stale climate in a company. In the stale climate,

he says, executives tend to be acquiescent—they don't develop strong feelings about anything and never bother to disagree over issues.

Such men, he points out, tend to play follow-the-leader; they lack a feeling of urgency and therefore tend to postpone decisions. This, Mr. Fischer indicates, is when a business begins to run down.

Guard your moral values

Few men in any field ever reach the top without a strong sense of morality.

The occasional man who does gain a position of prestige or power without an honest character will eventually be uncovered.

Power or authority demands integrity of the highest type, for without it a man will sooner or later give in to the temptation to abuse his authority. Even in lesser positions, a strong and sincere sense of morality is a requisite for winning and holding the respect and confidence of others in the face of the everyday temptations to deal and contrive rather than to think and plan.

A man cannot be a little bit dishonest in business. He is either honest or he is not; he either has integrity or he does not. He doesn't need to be a psalm-singer to be a moralist. As a matter of fact, unless he does have true and deep religious convictions, to adopt a superreligious pose merely for the sake of appearances would indicate a lack of integrity.

The practice of honesty has, in most industries, become a way of life.

Corporate reputations for honesty often pay off in dramatic ways. Donald Douglas built such a reputation for his aircraft company and worked to preserve it. At the time Douglas was competing against Boeing to sell Eastern Airlines its first big jets, Eddie Rickenbacker, who headed Eastern, is said to have told Mr. Douglas that his specifications and offers for the DC-8 were close to Boeing on everything but the noise suppression.

He then gave Mr. Douglas one last chance to out-promise Boeing on this feature.

After consulting his engineers, Mr. Douglas reported back that he did not feel he could make the promise.

Mr. Rickenbacker is said to have replied: "I know you can't. I wanted to see if you were still honest. You just got yourself an order for one hundred and sixty-five million dollars. Now go home and silence those damn jets!"

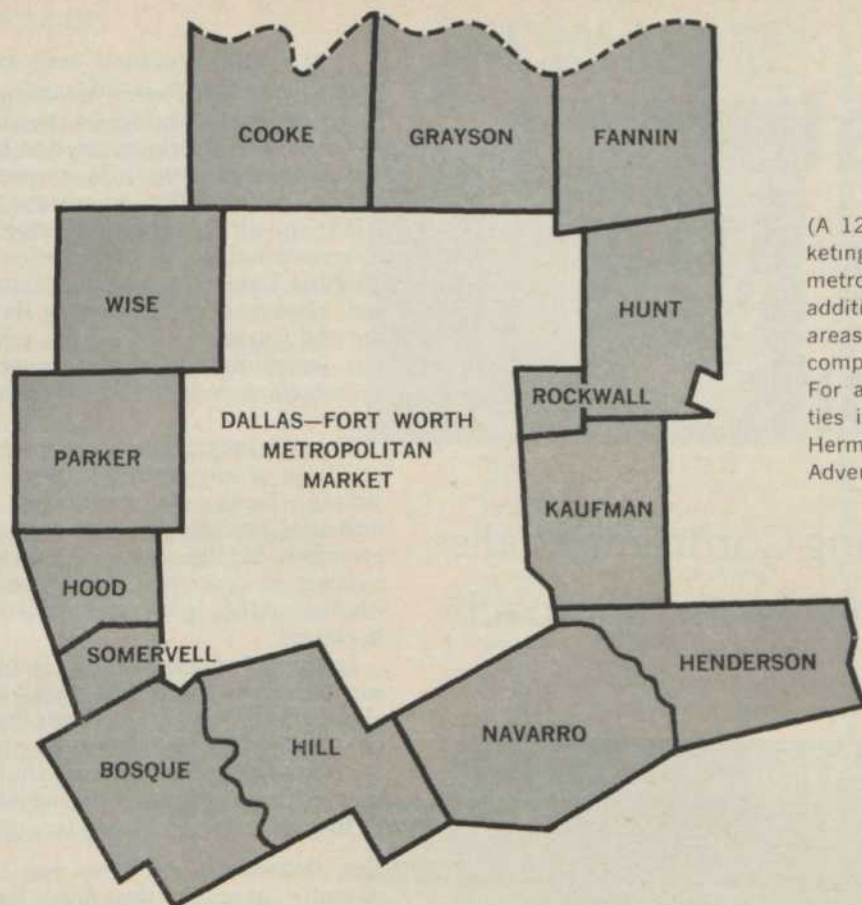
It is apparent that individual improvement must be largely an individual matter. While education can do much to advance an executive's personal development, only the executive himself can supply or develop the inner qualities that transcend methods, techniques, procedures and systems.

You start where you are with what you have and build on it. Only you can make yourself a better manager.

—JOSEPH G. MASON

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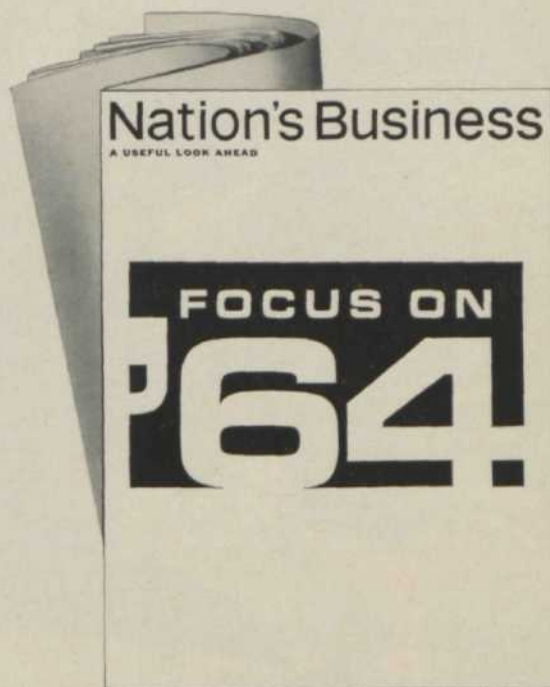




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Key senator tells why ARA won't work

Head of Senate Banking Committee calls Administration action wrong approach



UPI

PRESIDENT JOHNSON'S attempts to expand the activities of the Area Redevelopment Administration face stiff opposition from a key senator.

The nationwide operations of ARA are already beyond effective congressional control, according to Virginia Democrat A. Willis Robertson, chairman of the Senate Banking and Currency Committee, which has jurisdiction over the program to subsidize industry in depressed areas.

Existing machinery for routine scrutiny of government programs simply lacks the resources to measure performance against the promises of the agency, he says, making it impossible to determine whether ARA helps create jobs as it claims.

In this interview, Senator Robertson tells how his initial misgivings about the program have been borne out during the agency's two years of operations, and urges that a special investigation be undertaken if the program is to be expanded.

Sen. Robertson, why have you consistently opposed the Area Redevelopment Act?

From the beginning I thought it was a wrong approach at the wrong time.

The bill was aimed, for example, at unemployment in the coal fields of Illinois, Pennsylvania, and West Virginia. Yet we know that when John L. Lewis got the wages of miners up to \$22.50 a day, he priced about half of his workers out of the market. This bill was supposed to put them back to work, and didn't do it.

The fundamental principle of the bill was that, if the government would lend at a subsidized rate, it could expand industry in depressed areas. I predicted that wouldn't work. I felt we should proceed on the assumption that business can be attracted by high-profit opportunities.

Are you still of this opinion?

I certainly am. I can't see any tangible results that would justify the expenditures that are proposed.

I will give you an illustration. In the coal fields of southwest Virginia, where unemployment ran 15 per cent, or three times the national average, they set up a program to train sewing machine workers. Well, there were no suitable factories there, and they trained mostly

women, who had to go somewhere else to get a job.

Has there been unusual pressure to continue the national program?

I couldn't really say that. The main reason advanced by the advocates was that it hadn't been fully tried: "Let's give it a better chance."

But I don't think it has justified itself.

We still have unemployment, although, of course, in the past two years a great many were employed that weren't employed before. Even in the most acute areas, there has been some relief.

Another thing, we found that the figures on unemployment were not too accurate, if you examine all the parts. They include 16 and 17 year-old boys who dropped out of school, who never had worked, and never wanted work. They just wanted to loaf.

Women who never had worked full time were listed as unemployed. That's not a realistic statistic. When you eliminate those that shouldn't be included, the figures—while higher than you would want—are not as discouraging as some would think.

What causes an area to go into an economic decline?

I think that the unreasonable control of wages and working conditions by union labor is a great threat to some sections where industries don't have enough money to put into automation to offset the high cost of production. These areas will be squeezed out of the market.

Then you have the question of taxation. The corporate tax now is 52 per cent, so the corporation has only 48 per cent left. Then the stockholder can be nicked again on what he gets, up to 91 per cent. Well, that doesn't leave much for investment. That's an invitation for programs like this.

Would you characterize the situation as government giving with one hand and taking with the other?

Well, to some extent that would be true. The ARA is competition on the one hand and taxation is a penalty on private enterprise on the other.

And laws that are very favorable to organized labor are a further handicap.

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as fast as you can feed them. The hand-operated LH, for the secretary or the small office. Ask any Pitney-Bowes office to show you any model, or all three!

FREE: Send for folder which tells the advantages of the MailOpener, plus handy chart of latest postal rates.



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A WATCHFUL EYE

No business can escape change. This is a well known fact. New products, new legislation, new techniques, new faces, new customs—all of these and more affect the course of business and the professions.

To be successful, a business man must thrive on change. Perhaps his biggest problem is how to keep up with the new developments in his field. For never in the history of man has scientific and technical knowledge been increasing at a faster rate than it is today.

What is true of the individual is true of his community. It, too, must be able to look ahead, to meet the changes that must be faced and to turn new developments into jobs and a better tomorrow. Like business, no community can escape change.

Fortunately, your chamber of commerce has accepted the responsibility for this looking ahead—for being the eyes and ears of your community. What it sees and hears—and the course it charts—depends on you. For the chamber's role is to work through its members by organizing their ideas and putting them to work for the good of all.



Pete Progress

Speaking for your local Chamber of Commerce

ARA WON'T WORK

continued

enterprise, and the more we go toward socialism, the faster we will approach the condition of bankruptcy that now confronts a nation like Brazil.

How far do you feel that ARA would go if it got the chance?

My grandfather used to say the tendency of everything is to be more so. I have never known a new agency that didn't try to expand its operations, to become more important, and to continue itself and to increase its compensation by saying, "Look at the number of people under us and how much we are doing."

I think that the political campaign this year is going to produce a check on these agencies that are headed in the direction of socialism. I believe that, unless the taxpayers of this nation are less concerned about their own future than I feel they are, we are going to have some changes after next November.

Do you feel there should be a more extensive congressional investigation of ARA?

We don't have the staff on the Banking and Currency Committee to go into a full study. It would take 25 men working two or three months to find out all the details of what this agency has done in every state of the union.

We would need \$25,000 to employ a technical staff to make a study of that kind and we don't have it.

But if this is going to be expanded, I think Congress would be well advised to appropriate the necessary funds to find out just what is being done.

You are not going to get agencies, a bureaucracy of this kind, to come in and say, "Gentlemen, we wasted a lot of your money, but we want more money, and we want to stay in office."

If ARA is not the answer to the unemployment problem, what is?

The tax cut will help. Making labor unions subject to the antitrust laws, so their programs can't go beyond the legitimate functions of wages and working conditions—that would help.

A little more encouragement to business, and less threat of prosecution if you happen to make a profit, would go far in solving legitimate unemployment. **END**



WE'LL SEE YOUR WARRANTY AND RAISE YOU 26,000 MILES!

A warranty in the truck industry is not unique to Dodge. Any make truck you buy will carry one sort or another. But not one other maker will give you the extensive coverage on a truck's vital moving parts you will get with Dodge's engine and drive train warranty.

The warranty coverage* on these Dodge truck parts is for five years or 50,000

miles. Other makes stop at 24 months or 24,000 miles. So in mileage alone, these Dodge truck parts are 26,000 up on the competition.

But that isn't all. If you buy a Dodge gasoline-powered high-tonnage truck (model C800 or larger), the warranty coverage** is extended to five years or 100,000 miles on the engine and its

internal parts. That's something else.

We believe this is the best warranty protection of its kind offered on any American truck. Talk to your dependable Dodge truck dealer. Ask about this warranty. About his prices. About his liberal new finance plan. And about how easy it will be to put a Job-Rated Dodge truck to work saving money for you.

*Chrysler Corporation warrants for 5 years or 50,000 miles or 1500 hours of operation, whichever comes first, against defects in materials and workmanship and will replace or repair at a Chrysler Motors Corporation Authorized Dealer's place of business, gasoline and Perkins diesel engines (i.e., block, head and internal parts), intake manifold, water pump, flywheel, flywheel housing, clutch housing, torque converter, transmission (i.e., case and internal parts, excluding manual clutch), transfer case and all internal parts, drive shafts, center bearings, universal joints, driving axles and differentials, and drive wheel bearings of its new Dodge Trucks, provided the owner has (1) the engine oil changed and universal joints (except sealed-type) lubricated every 2 months or 2,000 miles, whichever comes first, (2) the engine oil filter replaced and the carburetor air filter cleaned every second oil change and dry type carburetor air filter element replaced every 32,000 miles, (3) the closed crankcase vent system cleaned and serviced every 8,000 miles, and (4) the transmission, transfer case, driving axle and sealed-type universal joint lubricants changed every 25,000 miles. The foregoing services must be performed more often when reasonably required due to severe dust or regular "stop and go" operation. Every 6 months the owner must furnish to such a dealer evidence of performance of the required service, and request the dealer to certify (i) receipt of such evidence and (ii) the truck's then current mileage.

**Chrysler Corporation's warranty on gasoline engines of 800, 900, and 1000 series Dodge Trucks is for 5 years, 100,000 miles or 3000 hours of operation, whichever comes first, and provides for repairing or replacing parts defective in materials and workmanship at no charge for parts and, after 50,000 miles or 1500 hours of operation, at a prorated labor charge based on 25% up to 60,000 miles or 1800 hours of operation, 50% up to 75,000 miles or 2250 hours of operation, and 75% up to 100,000 miles or 3000 hours of operation, in each instance whichever comes first. This special warranty covers the engine (i.e., block, head and all internal parts), intake and exhaust manifolds, timing gears, water pump, flywheel, flywheel housing and clutch housing, provided the engine maintenance services required are performed and certified as specified above.

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DODGE DIVISION



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School gains prove no aid needed

New facts are coming to light about educational achievement

EMPLOYEES YOU HIRE in years ahead are sure to be better trained and educated than ever before.

The future results of America's vast educational effort are reflected in facts about education just coming to light.

The situation is this:

► A total of 47 million youngsters are enrolled in primary and secondary schools. Enrollment is up more than a million from the last school year.

► Another 4.4 million are enrolled in colleges and universities. Before the year is out, others will enroll and the total will rise to 4.8 million.

The enrollment explosion in our schools obscures the fact that quality of education, as well as quantity, is also rising rapidly.

The youngsters in school now are being taught by better-trained teachers using better methods and equipment than ever before.

At the end of World War II, for example, only 15 states required a college degree for beginning elementary teachers. Forty-four states now require a college degree. Others have set deadlines for meeting the standard of a four-year college degree.

In the first year after the war ended, less than half of the elementary teachers in the country had a college education. Now more than three quarters have college degrees.

Ninety-eight per cent of our high school teachers have a four-year college teaching degree and a quarter of them have a master's degree.

Education standards and achievement vary across the nation, yet the average teacher in America today has almost 17 years of educational training. That means almost

one full year beyond the basic college degree.

For all people in the United States, from common laborers to executives, the average is just short of 11 years of formal education. This national average is rising rapidly. Although the number of youngsters dropping out of school continues to be a problem, considerable progress is being made. For some school systems the drop-out rate this year is expected to be at the almost-unimprovable minimum, which is to say that no more than one or two pupils out of 100 will fail to finish high school.

One factor in the high marks being chalked up in educational achievement can be traced to teachers' pay. The average salary now exceeds \$5,700 a year. It was slightly above \$2,000 in 1946.

Good school systems are improv-

ing in other ways as well, reflecting both the higher qualifications of teachers and the higher pay they receive. Improvement, for example, is shown in student guidance, as well as laboratory teaching of science, foreign languages, and the arts.

The number of teachers is increasing faster than the number of students. The pupil-teacher ratio has dropped from 28 to one to approximately 25 to one. This, incidentally, marks the achievement of one of the goals of the American educational system.

This school year, there are some 139,000 newly graduated teachers in classrooms for the first time. The figure compares with 41,000 graduated in 1946. The number next year will surely exceed 140,000.

The dollars spent on education also are increasing. There has been a tripling since World War II of the percentage of our national income that goes into education.

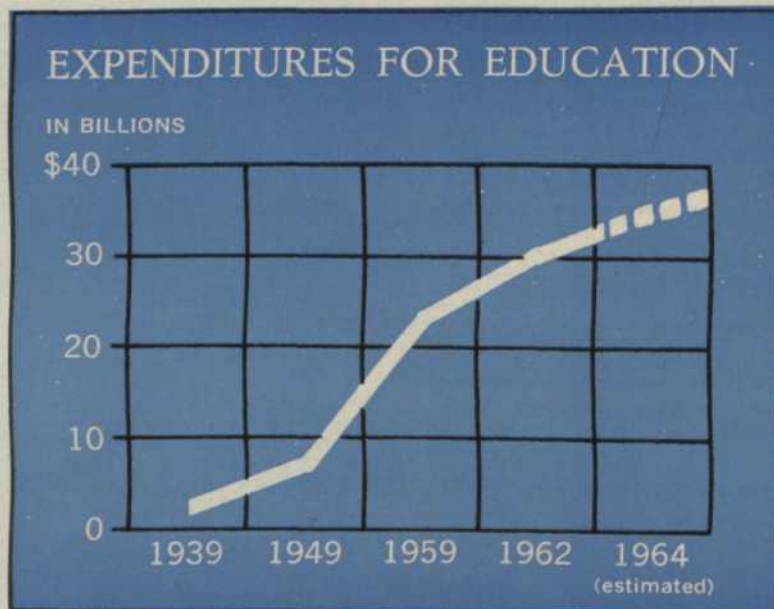
In 1945, for example, Americans spent 2.3 per cent of the national income for education. Now it amounts to seven per cent.

In dollars, this represents a jump in annual expenditures from \$4.2 billion to an estimate of \$36 billion that will be spent this year.

From these achievements two things are clear:

1. Americans, without federal intervention, are not only willing but eager to provide well for the education of their children.

2. The employees you hire in the years ahead will be the best trained and educated you've ever seen. **END**





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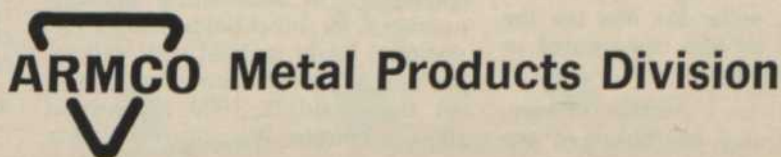
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COMPANY _____

STREET _____

CITY _____ STATE _____ ZIP _____

TELEPHONE NUMBER _____



NEW TAX LAW

continued from page 39

ask us, "Why can't you do a better job in simplifying tax forms?" We certainly spend a lot of time on this, and I think we have made great improvement. But the tax form merely reflects the tax law. If the law has a new complex provision in it, we have to work it into the form itself. Until we have a simple law we'll not be able to have a truly simple tax return.

What particular information programs do you have in mind that would affect business directly?

Well, over the last few years we have met frequently with many industries and asked them to present their views on tax matters affecting them.

For example, we met with particular industries to discuss their particular problems when we were considering the new depreciation reform. Then, while preparing the new expense account regulations, we talked informally with lawyers, accountants and businessmen—corporate executives, controllers, treasurers.

We wanted to find out, before we even drafted tentative regulations, what they were doing in everyday practice and what their suggestions would be. All this helped to attain reasonable and balanced results.

I hope to do more of the same thing under the new statute, as we promulgate regulations. We expect not only to release newly proposed regulations under the new tax law and have public hearings when they are requested, but to increase the informal contacts—including participation in industry meetings and tax conferences.

You will increasingly call on business then to advise you in setting up new tax regulations?

Very definitely. I would like to have an open-door policy for any particular industry to contact us as soon as they are ready, to submit suggestions, and to suggest an agenda for a conference. I think our past contacts have paid dividends, and the informal give-and-take approach is consistent with the traditions of our tax system. It is something I favor very much.

Do you think under the new law the tax form will be less complicated or more complicated?

There will be a number of complications. But I can think of one

provision that may be greatly simplified. It pertains to the investment credit. The change will permit individuals to take the tax credit on certain capital investments without having to reduce the book value of the investment as the law now requires. The new law would permit taking full depreciation on these investments. Many business groups contacted us about this, and the new change would be a great simplification.

Beyond that, I don't know whether you can call the pending statute a simplification law. We certainly recognize that broad simplification would be possible only if special provisions and special deductions were eliminated from the law, and more and more taxable income was treated alike.

Until Congress decides that the time is ripe for such basic reform—which could be coupled with further reduction of rates—we will still have these complexities. But certainly the tax leaders of Congress—Congressman Wilbur Mills, Senator Harry Byrd—are fully conversant with this approach. Many of them hold this up as a long-range goal.

Despite the difficulty of passing such sweeping legislation, I am still optimistic for the future.

Present withholding of individual income taxes is at a higher rate than the new law would provide. With new lower rates, how would refunds be handled?

We are geared to handle the retroactivity problem. As soon as the bill is signed by the President and becomes law, we would institute the new withholding rate set forth in the statute. This could permit a balancing out by the end of the year.

Do you have any plans to renew the recommendations for legislation which would require withholding of taxes on dividend and interest income?

As you know legislative recommendations come from the Secretary of the Treasury. We, of course, advise him on administrative problems. As far as I know, the Administration has no intention to renew the withholding proposal.

Congress passed an information-reporting system which is being implemented right now. Corporations and banks have cooperated splendidly in assembling account numbers for stockholders and depositors. Early in 1964 they will report to us the dividends and interest they paid in 1963 to each of these accounts. We appreciate this,

and we want to give this system an opportunity to prove itself before any further legislation is requested. The Secretary of the Treasury is required to report back to Congress on its effectiveness.

We are also moving along rapidly on automatic data processing and are putting this new information on high-speed electronic tape. This will help immeasurably in making information-reporting effective.

Do you have any bugs in your data processing system?

Oh, yes. With any new installation there are bound to be bugs, but the gratifying thing is that, by working around the clock, we have been able to solve these problems.

We now have the tax records of 50 per cent of the business community on electronic tape. The data are being used at our National Computer Center in Martinsburg, W. Va. We know that the computers can do what we hoped they would do.

We will also have a file of individual taxpayers for the entire country developed this year. This National Identity File will permit us to match informational documents against all the individual returns of taxpayers of America.

But this ADP system is an enormous undertaking. It will put some 78 million taxpayer accounts on high speed tape at one central location. When you realize that our new equipment can match ten-digit numbers at the speed of 125,000 a second, you begin to see the enormous capabilities that this is presenting to us.

Taxpayers, too, will get many benefits from it: speedier refunds, more rapid handling of all their tax records, fewer contacts on information stored in the memory of the machines, the assurance that we are going to start closing the remaining tax gap that we have, and the fact that we will credit to individual accounts any refunds or credits they may have overlooked.

How big is the gap in taxes not collected?

We collected, last year, about \$105 billion. Treasury estimates that there is another \$5 billion that should be collected. A good part of this is oversight or honest error. Some is due to evasion of tax. With automation bringing all tax records together, we think we have the strongest instrument we've ever had for closing this gap.

You said a moment ago, Mr. Com-
(continued on page 94)

28 STOCKS

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NEW TAX LAW

continued

missioner, that the tax records of 50 per cent of the business community are on tape. What exactly does this mean?

It means that employers filing income tax returns—or employment, unemployment, or excise tax returns—will be identified and placed on a magnetic tape master file. In addition we will have the full tax information from their returns associated with their names and account numbers. We will add to this file from year to year, with a plan to have at least a three-year running record of all business taxpayers on this master file. This mass information is being stored in the computers, and is retrievable at extraordinary speeds for all phases of tax administration.

By January 1, 1965, 100 per cent of the business community's tax records will be on tape. We will then have seven regional service centers operating nationwide under ADP—automatic data processing.

To close this \$5 billion gap will you use other techniques in addition to data processing?

Yes. Machines only identify potential errors. They do not audit returns and they do not collect taxes. They can do some preliminary audit checking and mathematical verification. They can reveal unusual items as compared with industry averages. They can cross-check tax returns and information returns on dividends, interest, salary, rents, royalties, and the like.

But they can't substitute for the individual examination by revenue agents or for the activity of collection officers on delinquent accounts.

We hope to continue a full and balanced program of tax examinations and other enforcement efforts, and are trying to improve our techniques. We have just completed new tax audit guidelines which distill the best of our experience over the past 50 years. This is being placed in the hands of every one of our revenue agents.

Is this an attempt to get more national uniformity in auditing?

It is trying to do two things.

One, uniformity; two, to develop what has been referred to as a quality type of audit where it is appropriate. Revenue agents are, in essence, trying to determine whether or not a proper tax determination has been made on the return, so

their procedures are somewhat different from those of a CPA.

We have moved away from merely examining returns which are deemed likely to produce additional revenue quickly. We are examining abuse areas, and are selecting returns in every category of taxpayers. We feel that, as we fortify confidence that the tax law is being enforced across the board, we will have better compliance nationwide.

As it stands now, every taxpayer does not have an equal chance of being checked or audited, does he?

That's true.

Is this the eventual aim?

Today we classify returns by type of business and size of income. Every return is actually handled by somebody, and from these returns we select those which we think seem to merit examination. Some show obvious discrepancies; some indicate questionable items; others are

Sales strategy for '64 is outlined by managers of major firms in article beginning on page 33

inconsistent with informational documents on hand.

In certain categories we examine 100 per cent of the returns, some 90, others 80; still others, only a small per cent. We vary this pattern from year to year. We try to examine different industries, different occupations. But some returns are selected at random. There will always be variations in the chances of being audited.

What particular industries are more subject to this type of check than others?

Any industry in which the particular business enterprises show large flows of income or unusual deductions can expect a greater likelihood of being examined. In addition, we are concerned about businesses which handle a lot of cash, or businesses where bookkeeping practices are loose.

Is it correct that you provide advance advice regarding mergers and their potential tax implications?

It is really broader than advance

advice on mergers, although that issue is certainly part of the whole ruling process. We have a taxpayer rulings section which handles about 30,000 to 40,000 ruling applications each year. We are the only country in the world that gives this sort of advance ruling on a proposed future transaction.

If a businessman or any taxpayer has a complex transaction or a transaction involving a significant amount of revenue for him he can submit a formal application for a ruling here in Washington. It must be an actual transaction and the entire transaction must be set forth.

Based on those facts, we will issue a written private ruling saying that, if you follow the stated facts and procedure, certain specified tax consequence will result. Our field personnel are instructed to follow that ruling, even though we may have made an error, as long as the taxpayer follows the steps he said he was going to follow.

Before coming to Washington, I represented businessmen and other taxpayers for some 20 years as an attorney, and I know how important the ruling process is to them. We have been trying to expand and improve this program. Recently, we called in a management consulting firm to help us on some of our procedures to speed up the whole ruling process.

What other new services are you offering businessmen?

We have a number of useful publications and have been expanding our whole public information program. Also, we have been distributing something that has proven rather popular for new businesses, particularly, known as "Mr. Businessman's Kit." When a new business is formed, we try to communicate with the manager to see if he would like to have Mr. Businessman's Kit for his particular business.

It not only gives him an agenda of all due dates on the filing of different tax returns, employee returns, social security and the like, but we insert booklets and forms for his particular use. The taxpayer can visit our office, or if he prefers, we will have one of our people visit him to discuss his tax obligations and tax rights.

It is important to get off on the right foot in tax matters. Frequently very decent people find themselves in difficulty because of lack of understanding. We are trying to avoid that.

Do you see any particular change in



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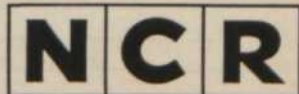
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Jack M. Campbell

Jack M. Campbell
Governor
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NEW TAX LAW

continued

tax administration as a result of President Johnson's coming into office?

President Johnson has made clear his interest and desire to follow the programs outlined by President Kennedy. I think we will see a continuation of President Kennedy's approach in the tax field.

This means that we'll continue our emphasis on encouraging voluntary compliance rather than concentrating our efforts on direct enforcement.

At the same time, we'll continue a strong enforcement program to back up our compliance efforts: cooperation with the Attorney General in his organized crime drive; a focus on tax abuses—whether they relate to expense accounts, foreign transactions, exempt organizations, or otherwise; and a desire to get fair across-the-board administration. These programs are all going to be continued.

Talking about travel and entertainment expense deductions, some businessmen are still a little confused about what is deductible.

At the outset there was a great deal of confusion—an over-reaction, a lack of understanding. Proposed regulations, public hearings, final regulations, and broad attention by the press and other public media, all contributed to the lack of clear understanding.

To counteract this, we embarked—it is a full year ago now—on a program of public information, speeches, booklets and cooperation with businesses and industry. I think there is better understanding today and general appreciation of what the law is all about.

The law is relatively simple to understand if you keep in mind that there are three basic ways of getting an entertainment deduction:

First is the traditional pattern, where you are actively discussing business with the person being entertained. You are trying to sell or negotiate a deal while you are dining and dining this business associate—or "would be" business associate.

Second is the "associated with" test—where, before or after a substantial and bona fide business discussion, you get together for relaxation with the business associate. This is goodwill entertaining closely tied to active business negotiations.

Third is the so-called "quiet busi-

ness meal," which refers to deduction of the cost of food or beverage in a quiet surrounding. This is the one instance of pure business good will, unrelated to any business negotiations. Congress said in that situation you don't have to discuss business so long as you are business motivated—that is, you're providing this goodwill entertainment to advance your business potential.

If businessmen can keep these three rules in mind, they will have a basis for judging when their expenditures are deductible. We're not engaged in a drive against business entertainment. We are focusing only on the abuses. Our policy is to follow a reasonable, common sense, and balanced approach.

We have called in revenue agent instructors from all over the country to convey to them this national office philosophy. Written materials containing this viewpoint are now being used in our training program for revenue agents in every one of our districts.

If we find it is a legitimate business expense, we are not going to try to second-guess the businessman.

I have had many business leaders come in and see me and say that the rules are very sound, that for years they wanted to monitor some of these costs but didn't have the opportunity before. Some have gratuitously given Internal Revenue credit for some extraordinary results.

I've even been informed of one situation where a corporate executive advised his personnel that the new law meant that they could not have more than one drink at a business luncheon. There is absolutely nothing in the law about that—although it is a provocative suggestion.

Do you expect the tax cut to stimulate the economy? Will you then collect more taxes rather than less?

Some of the leading economists of America have hotly debated that question, and I'm not an economist. But past history indicates that when you have a tax cut, most of the tax reduction will enter the stream of our economy. Also I've felt over the years that tax rates were too high and were a drag on investment, incentives and spending.

For these reasons I believe that the tax cut will free our economy from these built-in restraints, will stimulate the economy, and will contribute to greater national income. Over a three or four year period I expect we'll collect more taxes rather than less.

END

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SALES OVERSEAS

continued from page 41

countries, whose politically strong farm populations fear competition.

Common Market plans for agriculture have made slow progress. The French, with a vision of large and profitable markets, have tried to hasten them. But they have been stalled by the differing aims of the other member countries. By early 1962, however, they had agreed on the kind of mechanism that should operate. They would move by stages to a common target price for each main product. If, because of limited supplies, the actual price tended to go higher, more imports would be allowed in. If the actual price dropped, some imports would be kept out. Imports would be regulated by a levy, which would be used to lower export prices or to assist high-cost producers in the European Economic Community.

At that stage there was no attempt to fix target prices. But it was agreed that cereal prices would have to be fixed first, followed in turn by meat, dairy products, and oils and fats, each of which must technically depend on cereals.

It was also implied, and it still is, that prices would be at levels which kept most high-cost farmers in business. The only qualification was not to upset traditional lines of external trade, and the meaning of this phrase has been an element in the quarrel over poultry. The objective was, in time, to make the Common Market roughly self-sufficient in agriculture.

The discussion of agriculture has been resumed. The Common Market Commission has put forward a

faster plan for cereals, which would result in a unified price by next July.

The new plan is a move towards the French position. It has been warily received by the other members. It remains to be seen whether a working basis can be established for cereals and whether, from this beginning, a general position can be reached on Common Market agriculture—including concrete proposals for GATT—before the start of the meetings in May.

Although for a time the discussion looked like it was breaking down, at the last minute a package deal emerged on both Common Market agriculture and on the approach to GATT. It included some points on dairy products and oils and fats, and an arrangement not to increase the general level of farm support for three years. But it did not end the controversy over agriculture; the vital Mansholt plan for cereals has been shelved until April; and the latest proposals for GATT do not go far toward meeting the other parties, particularly the U. S., and almost certainly will have to be reconsidered.

Complications over agriculture probably will prevent firm commitments on either industrial tariffs or farm products until much later than the start of the GATT sessions.

Against this background the U. N. conference has been scheduled for March-June. It will cover development as well as trade. Here advanced countries will face a combined array of primary-producers in a 120-nation forum. The original intention was that the U. N. conference would coincide with the principal GATT meetings. **END**

As long as the federal government takes the money out of the hides of the taxpayers (and that's the only way we can get it because there is no such thing as free federal money), it would be quixotic for people of one state to pay all the tax money and refuse to take back any of the dividends. We can't ask taxpayers to pay without taking something. In our state, we get back in federal funds about the same amount we put in to support the various subsidy programs, so we can be philosophical.

What else bothers you about subsidies?

One thing is the terrible inequality between the states who pay the bills and those that get the sugar.

The southern states take back more than they put in, except Virginia and Florida, and I think there is nothing in the federal Constitution that justifies playing the game of Robin Hood—take money from the rich and give it to the poor.

I think that we in the South must make up our minds; either we should quit giving lip service to the Constitution or we should see that it is enforced. I don't see how we can continue to insist upon the rights of the states while we are taking down so much money from the taxpayers of the wealthier states. It seems a shame to have to do it that way, but it looks as though the only way we can do away with subsidies is to sell the wealthy states on pocketbook constitutionalism.

Can subsidies be curtailed?

Of course they can. It would be hard. You would have to buck a lot of pressure from the different political bureaus which are making a living off these programs, as well as those who are getting the hand-outs.

If the federal subsidies were discontinued, would the states provide the necessary welfare funds for their own people, and could they administer them as well?

The states might or might not provide funds. It would depend upon whether the people are willing to tax themselves for the purpose. Certainly the individual states would know what is best for them. If the states failed to make the appropriations, there would be a temptation to come back to the federal government for money, but it must be kept in mind that the mere fact that a state does not exercise a power reserved to it by the Con-

NO FREE MONEY *continued from page 37*

to roll them back. It would take years to do because we not only have the people who are grabbing for the so-called free money but the bureaus which wax greater as they distribute more funds.

Does your state get tax money from Washington?

We do. That's one reason we made this detailed study, and why we are continuing to study subsidies. We want to know what they are doing to us.

What are you finding?

In 1910, there were four federal programs in our state, one requir-

ing matching funds. Little money was involved. When we made our report, there were 53 such subsidies and 35 called for matching. For some programs, Uncle Sam hands you the money with little or no strings. Others are fouled up in a ball of wax. Even though a program may begin without strings, they are bound to be added.

Do you recommend that your state stop accepting subsidies?

It would be bold to say that. If my team is in a ball game and allowed three strikes for a batter, it can't do very much against the team that may be allowed four.

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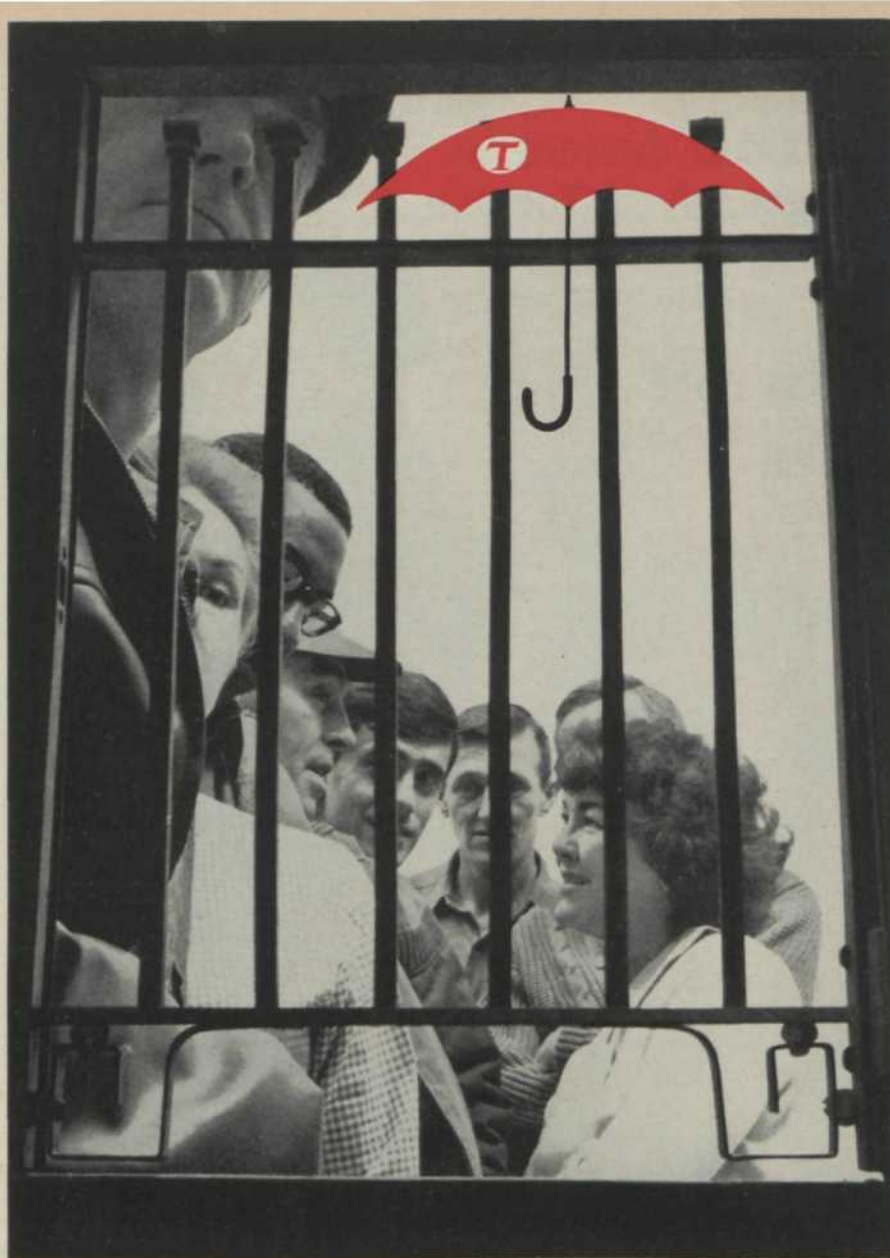
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NO FREE MONEY

continued

stitution does not in itself amount to a grant of power to the federal government. As for the efficiency of administration, there is no reason why a state cannot handle its affairs as well as Washington. One argument for subsidies is based on the theory that states can't afford these programs.

At present they can't. So much of the tax money goes to Washington there is too little left at home to provide for local projects that people want and need. The federal government taxes far too much and meddles in local matters which are none of its business.

How do you account for the substantial growth of subsidies? Do you think our representatives are selling welfare programs for votes?

Yes, I think welfare programs are sold for votes. It does look like free money. We might take a lesson from some of the colonial legislators in the French and Indian War. They appropriated money for defense, but in each bill there was a taxing provision showing exactly how the money would be raised. Nobody was being kidded.

If every time a taxpayer got something free he saw exactly how he was being required to pay for it, we might have a different story.

Of course this isn't all done as charity and it's not all done by congressmen seeking votes. A lot of it is done by certain people who are eager to change our whole system of government and turn the country into one great welfare state.

How would you go about doing away with subsidies?

There is only one way, and that is by education, by bringing home to the people that they are being kidded to death, that one part of the country is buying things for another.

If we can once get that into people's heads, we can start reversing the trend. The members of the Congress can for the most part keep both ears on the ground at the same time and give the people precisely what they want. As long as people clamor for something they think is free, we cannot expect a congressman to resist all by himself. But let the pressure start coming from the taxpayer rather than from the recipient of largesse, and you will see a different attitude in the Congress.

END



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How to forecast your manpower needs

Experience of major companies provides hints for meeting personnel requirements of future

LONG-RANGE FORECASTING is being used increasingly by firms striving to plug gaping holes in their personnel programs. That's why manpower forecasting and planning have become top-agenda items for many managers.

Some companies are discovering that their manpower appraisals and management development and organization planning activities rest on a shaky base—shaky because it lacks clear long-range objectives.

As General Foods' Albert F. Waters puts it: "Personnel people must understand and identify with management's main objectives—profit and growth. They must be willing to be held accountable for progress measured by specific objectives."

This means men must be hired today with future needs in mind.

Information on manpower forecasting and planning practices discussed in this article was collected by the author, Dr. Eric W. Vetter of Tulane University, while he was a research associate at the Bureau of Industrial Relations, University of Michigan. Field trips were made to 20 firms to gather data and to study forecasting techniques. Representatives from another 20 companies furnished information during conferences and seminars.

What these needs are is the challenge thrown the manpower forecaster.

Test programs work only if testers can answer the question: "Testing for what?" College recruiters sifting candidates on the campus face the basic question, "Recruiting for what?" Expensive development programs, which pay off only over the long run, can waste company funds unless they are geared to long-range needs.

Researchers at the University of Michigan's Bureau of Industrial Relations took to the field to study manpower forecasting. In addition to finding plenty of firms doing nothing, they also found a rash of new interest in manpower forecasting.

Some companies had just started. Others were planning to get going. A few, chiefly in aircraft, chemicals, petroleum, and utilities, have fully developed programs.

What's the present situation in manpower forecasting, and how will it look in the next five to 10 years? In brief it now looks like this:

1. There's a sharp upturn in manpower forecasting and planning in most large companies, especially those with a strong technical base.
2. Hard principles are emerging as

guides to good manpower planning.

3. If you're not already started on manpower forecasting, you may be falling behind the leader in your industry.

Need for better controls

Three factors explain the great current concern of business over manpower forecasting and planning:

Government statistics point to a tight supply of high-talent manpower by 1970. Some three million new salaried managers will be needed to fill new and vacant positions by 1970, but the supply of capable men and women for these jobs may not meet the demand. A million new engineers and scientists will be required to fill new and vacant jobs during the 1960's, but only 750,000 persons are expected to complete scientific and engineering degree programs during that period. The pinch is tight now. It will get worse.

The business investment in human resources is increasing at a rapid rate, making it imperative that the investment be in capable personnel. Hiring, training, and relocation costs are major worries, and the heat is on for better control of these expenses.

The rate of technological change

Albert F. Watters, General Foods:
"Personnel people must understand
their company's profit objectives."



GUY GILLETTE

is creating employment and turn-over problems that are best met through manpower planning. In engineers, managers, and staff people, obsolescence is rising.

The need to avert this loss has generated pressure for better forecasting.

Manpower planning means considerably more than executive development, multicolored replacement charts, and organizational planning. Companies which still limit themselves to these activities may experience some trouble in the years ahead.

Manpower planner Tom Porter of the American Oil Company, a subsidiary of Standard Oil Company of Indiana, states the objectives of the planning effort clearly: "It means having enough of the right kinds of people, in the right places, at the right times, doing things vital to the economic well-being of the firm."

American Oil's forecasting scheme properly focuses attention on the link between quantitative and qualitative manpower estimates and projected sales and profits.

Steps to good planning

What are the major ingredients of a sound manpower planning program?

Information gathered from 40

Ellis Wylie of Michigan Bell Telephone Company:
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MANPOWER NEEDS

continued

companies engaged in the process reveals four distinct steps:

► **Start with corporate objectives**—Get a clear picture of your firm's profit plan and sales forecast to understand the direction your manpower must take.

► **Take inventory**—Determine your company's past labor productivity rate, employment trends, turnover rates, and the current composition of the managerial and professional work force by age, level, experience, and potential.

► **Make an annual forecast**—Use projected labor productivity rates, employment trend data, and budget goals to estimate future manpower needs and obtain top management approval of the forecast.

► **Use the manpower forecast**—Design action programs in areas such as recruiting, selection, development, retirement, and organization planning to meet manpower problems revealed by the forecast.

Start with objectives

Manpower forecasting and planning must be tied to a base point to help a company realize its objectives. Because of this, manpower planners begin by digging out the long-range goals of the firm and the reasoning behind these goals.

Thus manpower planning originates with the firm's basic profit, sales, and financial forecasts. How these forecasts are obtained, their reliability, and their implications for capital resources, funds available for manpower, and technological change must be known by the forecaster or he's wasting his time.

Take the case of a large food processing company. When its officers started a large research lab two years ago, they called in the personnel people to study the manpower impact of the move. Not only did an entirely new approach to recruiting and the paying of scientists emerge, but also a whole new set of manpower forecasts for plant, sales, and staff functions.

The manpower planner doesn't engage in economic or sales forecasting, but he has to understand and use the findings of economists. These base points are used to make manpower estimates which he, in turn, uses to advise other forecasters on the manpower feasibility of their projections.

Take inventory

The biggest obstacle facing the

manpower planner lies in assembling and reading new meaning into data on the past performance of the work force. In many companies manpower statistics have seldom been used in manpower planning. As a result, the forecasts are often meaningless, incomplete, or inaccurate.

Good manpower forecasting requires three major sets of information:

Past labor productivity data.

Employment and occupational trends.

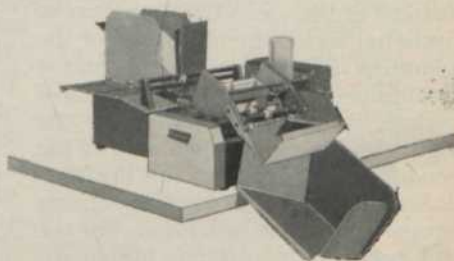
Managerial and professional work force data.

Labor productivity data: At the heart of manpower forecasting is an understanding of labor productivity changes taking place in the business. The analyst must project a labor productivity rate for the forecast period. He does this by determining the past labor productivity growth and then modifying this trend in light of planned capital and production decisions.

The case of an optical manufacturer which planned its manpower needs without regard for labor productivity demonstrates the importance of this analysis. A seven per cent annual labor productivity growth trend was a cinch to

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continue because of the projected research and capital investment program. Despite the trend, the firm became concerned about a possible manpower shortage and recruited all kinds of personnel, trained them in expensive programs, and built facilities to house them.

Administrative overstaffing put the firm in a profit squeeze midway through its five-year program. When the pruning knife was finally applied, the company gained a bad image in colleges and the community into which it dumped dozens of staff people. And the local press seldom missed a chance to report the troubles of the firm.

How do you determine labor productivity? A number of tough problems must be faced, particularly an estimate of how capital investments influence labor requirements.

A useful approach is the economists' input-output model.

The relationship between the outputs produced and the inputs required tells the productivity of the factors of production. As the production process is made more efficient, productivity rises.

Because the manpower forecaster is concerned with labor projections he looks primarily at the labor input in relation to output. Capital input rates are also examined because labor productivity gains are primarily a result of increased use of capital.

Let's look at a hypothetical example to see how labor needs may be estimated:

Firm X wants an estimate of the manpower it will need in 1968 when, it estimates, sales will be \$150 million yearly. Last year sales per employee came to \$12,500 (\$125 million sales and 10,000 employees).

In this company sales per employee are expected to continue to increase at a six per cent rate during the forecast period. This would become about \$16,700 by 1968. Divided into expected sales the required number of employees is approximately 9,000.

One major problem in the analysis is the choice of labor inputs to be used. Man-hour statistics on salaried personnel usually aren't available, so that measure is not as widely used as average annual employment. Gaining in popularity are labor dollars as an input figure. This ties the analysis closely to financial data and shows the mileage being obtained from a labor dollar.

Measuring output is complicated whether you use physical units or

(continued on page 108)

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X	.02
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X	50,000.00 T

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÷	250.00
÷	.20
÷	.00 T C
÷	7,500.00
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X	9.75
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The National Chamber's Annual Meeting will benefit you by the dependable, firsthand information it gives you about trends and developments affecting the economy and your own business.

The speakers will be America's topflight leaders in government and business—men who, out of their own experience, speak with authority, and who have something to say. You will find them worth hearing.

TIMELY

The National Chamber's Annual Meeting in the spring* of 1964 is well-timed.

- ☐ 1964 is election year.
- ☐ A new Administration is in power in the White House. The tempo is different, the emphasis is different, but the aim still seems to be the same: overcentralized government.
- ☐ Outside of Washington, a wave of conservatism is sweeping the land. Throughout the country, there is a mounting distrust of the increasing power of the federal government.

A TURNING POINT

The year 1964 will be a year of decision. It could be a turning point in American history. In this sense:

If today's wave of conservatism is permitted to diminish, control of the economy will be taken over, perhaps irrevocably, by the government.

But—if today's resurgence of conservatism and common sense is supported by a growing public opinion—if this wave of conservatism is encouraged and accelerated by you and by others who believe in individual freedom, free markets, economic progress and limited government—the principles of free enterprise—our American way of life and our nation's greatness will prevail.

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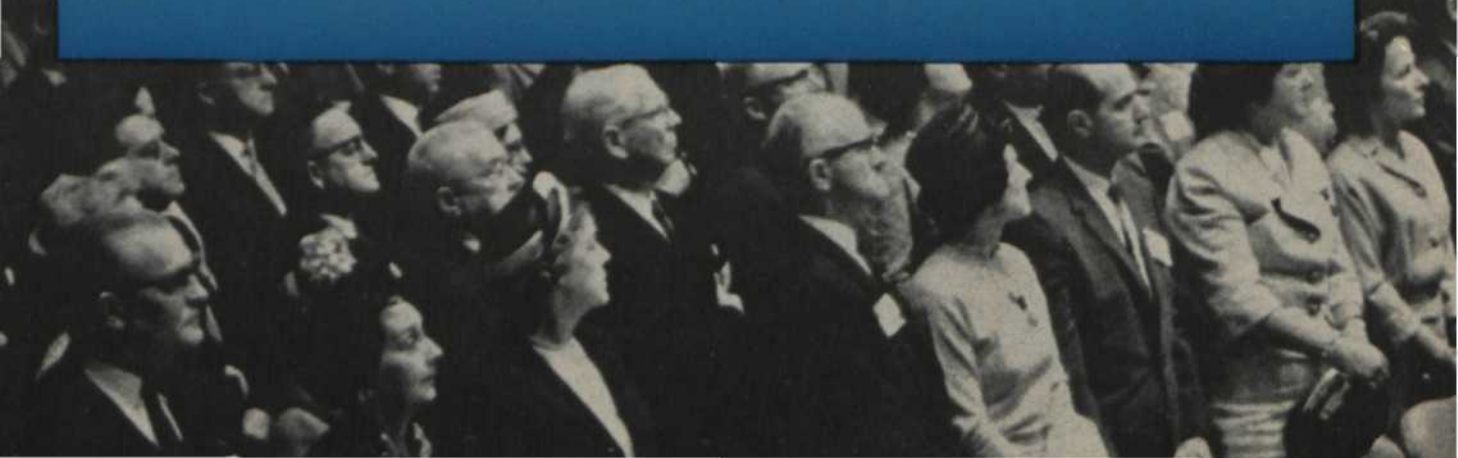
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MANPOWER NEEDS

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dollar units. Products produced today often aren't comparable to those of 1958 because of product line and quality changes. And whichever type of unit is used, adjustments must be made for inventory changes.

The economists' concept of "value added" is a helpful tool in output measurement because it nets out productivity increases due to

supplier firm activities. It also eliminates productivity rate distortions arising from make-or-buy decisions.

To calculate value added you adjust sales revenue for price and inventory changes and then subtract all purchases of materials and supplies (which are similarly adjusted).

Experienced manpower forecasters are always concerned with their measurement of productivity. At the Cleveland Electric Illuminating Company, a dozen output units are regularly studied and projected to avoid the problem of having a single measure turn sour.

Ed Reed, personnel manager at the Travelers Insurance Companies, says, "At first, we focused solely on output revenue figures. Our manpower planning teams found, however, that policies in force, claims, accounts serviced, and other items are valuable guides in our manpower forecasting."

Employment and occupational trends: Estimates of the future composition of the work force are made from wage group trend figures and company plans. One manufacturing firm saw its salaried employment, as a share of the work force, increase by 100 per cent during a 10 year period while hourly employment was decreasing by 15 per cent.

Organizational studies focus on operating unit growth and on changing personnel requirements at various management levels. Some companies have found, for example, that automation has cut back lower supervisory positions and caused growth in the number of staff specialists.

Managerial and professional employees: Special attention is given the managerial and professional work force because of its cost and importance.

Age distribution and study of the promotion potential of managers often reveal vital information. Preston Amerman of the Detroit Edison Company says, "Our first analysis revealed heavy retirement losses for the late 1960's—with our middle management being hit the hardest. A follow-up study showed many younger men were misplaced in light of our long-range goals."

Studies of the job movement of executives, career development rates of top managers, and key job assignments for young men are made by some firms. At United Airlines, for example, researchers are trying to determine some of the

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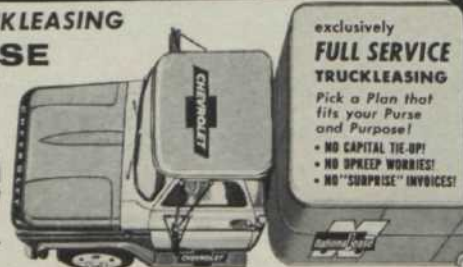
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qualitative elements they will need in their future top management team.

Turnover data are examined to estimate losses, to trace the effect of company transfers, and to see which management levels will suffer the heaviest losses. Early turnover data are especially important in setting recruiting quotas. One manufacturing firm must recruit in anticipation of losing 50 per cent of its new engineers within three years of hiring them.

Make annual forecast

The experienced manpower forecaster works on either a five- or 10-year forecast. He does this annually and makes revisions whenever new information indicates changes are in order.

Once a total company manpower forecast is made, the average annual future employee cost can be estimated and the expected total wage bill determined. These figures are compared to the profit plan for feasibility and revisions are made when necessary.

Sometimes it's found that the productivity increases will permit wage and salary revisions not thought possible or higher profits than anticipated. On other occasions, the wage bill as a percentage of revenue looms too large and increased productivity gains are required if the firm is to achieve its profit goals.

Most companies instruct operating units to make their own individual forecast. This is then compared to the over-all projections. Once all differences are resolved and budget approval is finally obtained, top management is usually ready to buy the forecast.

What accuracy must you have to make the forecast useful? Ellis Wylie, chief manpower planner at the Michigan Bell Telephone Company, admits, "None of our ten-year forecasts has been one hundred per cent accurate. But we think we've been doing a good job with them because we can identify and solve many potential problems before the problems hit us."

Use the forecast

Once made, the forecast gives the planner long-range objectives for his manpower programs. This solid building base is cited by many planners as the most important result of forecasting.

John L. Handy, the consultant, speaks of a malady called organizational indigestion which he attributes to having to bring in a

large number of executives at the last minute.

The forecast helps the planner avoid such problems by making the manpower management programs fit a logical framework.

Michigan Bell used one forecast to accelerate college recruiting, reduce development time to reach middle management, increase departmental transfers, and guide retirement planning in order to improve management mobility.

In another firm, the forecast showed a greatly reduced hourly and clerical work force could be expected. A hiring restraint, accelerated departmental transfers, use of temporary workers, and special selection devices to identify the retraining potential of hourly workers resulted.

Keeping the management pipeline clear of deadwood has led other firms to attack this problem at its source. Refined college recruiting techniques didn't solve the problem completely, so programs for early identification of men with low potential were developed. Young men with weak performance records are reassigned and—if they don't improve—out they go.

Success in manpower planning requires more than a forecast and a planning program, however. Four key internal factors must be present:

1. Top management—starting with the president—must get behind the program. Companies make little progress with their efforts until the president backs the program.

In one company, an excellent program drifted because major operating unit heads weren't interested in it. When the president saw the positive long-range possibilities, operating units swamped the manpower planners with requests for advice.

2. All major departments and operating units must be involved. Manpower is a company-wide asset and its effective use cuts across organizational lines. This means each department must know its own problems, and the company must use its entire manpower pool to help eliminate trouble spots.

George Yoxall tells how Inland Steel solved a problem identified by a manpower forecast: "We discovered a plant with a serious management shortage developing because of upcoming retirements. At the same time we had a plant loaded with talented younger men. Transfers between the plants not only solved the shortage problem but enabled us to promote men

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MANPOWER NEEDS

continued

who were blocked at their old location."

3. A well designed information system must exist to serve the entire company. Good planning rests on good information and both today's and tomorrow's information needs must be considered in developing the system.

Socony Mobil, for example, uses an 80-page manpower inventory code book as an important element in its manpower information system. At Eastman Kodak, an annual manpower statistical report helps guide the effort.

4. Manpower planning must go first class. This means placing it high up in the organization and staffing it with good people. Use of significant company data to interpret the future direction of the firm in manpower terms is the job of the planner. This job can't be done if the activity is in an obscure place and weakly staffed.

One planner dumped a good study because higher management didn't tell him of a forthcoming merger. The new subsidiary brought dozens of technical specialists into the corporation, needed staffing of key slots by parent company personnel, and required integration of certain staff activities. The manpower study was useless before completed.

Like all projects, manpower forecasting and planning must make economic sense. The payoff is in profit terms and not in interesting statistics. In nearly every instance, good manpower forecasting results in immediate returns and continues to show returns.

The task is insuring that the firm has the manpower in the future to meet the challenges of the future. As Ralph Besse of the Cleveland Electric Illuminating Company says, "There is nothing we can do about the performance of past management or the qualifications of today's management. But tomorrow's management can be as good as today's managers care to make it." **END**

REPRINTS of "How to Forecast Your Manpower Needs" may be obtained for 30 cents a copy, \$14 per 100, or \$120 per 1,000 postpaid from Nation's Business, 1615 H St., N.W., Washington, D.C. 20006. Please enclose remittance with order.

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